



NEWS SUMMARY

GENERAL

Whitelaw pledge on tapping controls

Home Secretary William Whitelaw told the Commons that telephone tapping and interception of mail "continued to be tightly controlled." He insisted that no MP's telephone had been tapped since an undertaking given by Sir Harold Wilson in 1966.

Mr. Whitelaw said a senior judge would be appointed to maintain a continuing independent check on procedures.

But Mr. Anthony Wedgwood Benn challenged the Government decision not to introduce legislation providing statutory safeguards. Parliament, Page 12

Hostage setback

Iran and the U.S. failed to make the expected progress towards the release of the 30 American embassy staff held in Tehran, despite secret Government contact. Back Page; Iran trade, Page 6

Iraq wounding

Iraq's Deputy Premier Tariq Aziz was wounded in a grenade attack at a public meeting in Baghdad. Security forces killed his attacker.

Salvador violence

One man was killed and 20 arrested as violence flared in San Salvador for the first time since Sunday's funeral of murdered Archbishop Oscar Romero. Page 6

New York chaos

New Yorkers faced chaos as the city's 33,000 transport workers went on strike after failing to settle a claim for a 30 per cent pay rise over two years. Page 6

Debendox 'safe'

Committee on the Safety of Medicines gave approval to the morning sickness pill Debendox, said by critics to have caused child deformity.

Siege talks

Colombian Government officials opened fresh talks with guerrillas holding 27 hostages in the Dominican Republic's embassy in Bogota.

School emergency

More than 60 children had emergency vaccinations after an outbreak of meningitis at a Steadford, Lines, school. A six-year-old boy died, and three others are being treated in hospital.

IRA man jailed

Edward Brophy, 39, was cleared in Belfast of murdering 12 people with an incendiary bomb at a restaurant in 1978, but was jailed for five years for being a member of the Provisional IRA.

Kidnap body

Two men were detained after the body of Oliver Breaud, 26, kidnapped son of a leading French financier, was found on Tahiti. A £1.25m ransom had been demanded.

Holiday threat

Easter holidaymakers due to fly from Heathrow face disruption because of an overtime ban by some British Airways staff.

Briefly

Bomb damaged the Paris offices of Iraqi Airlines.

Police interviewed Captain Mark Phillips over an allegation that he lured a horse.

Three motorists were accused in Sweden of illegally shooting 30 moose.

PUBLISHER'S NOTICE

The Financial Times apologises for errors contained in this issue which are due to unofficial action by proof-readers who are members of the National Graphical Association.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

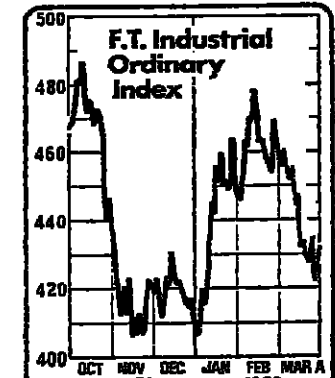
| RISERS | |
|-------------------|----------|
| Treas. 10Apr 1979 | £791 + 2 |
| Abercorn | 118 + 8 |
| Avana | 123 + 5 |
| BATs Dtd. | 283 + 8 |
| BPE | 183 + 8 |
| Bazel | 29 + 6 |
| Boots | 182 + 5 |
| Bocater | 170 + 6 |
| Coultie | 95 + 3 |
| Dowty | 176 + 7 |
| Erans and Owen | 70 + 10 |
| Fisons | 486 + 12 |
| Gieves | 248 + 6 |
| Glen | 212 + 7 |
| Heath (C. E.) | 374 + 5 |
| ICI | 374 + 5 |
| RankSere | 92 + 4 |
| Ladbroke | 136 + 4 |
| Lex Service | 285 + 4 |

BUSINESS

Gilts gain up to 5/8; Equities rise 5.4

● **GILTS** moved ahead on exhaustion of the long tap, with gains in long of up to 1/2. The Government Securities index put on 0.24 to close at 64.82.

● **EQUITIES** gained on steel settlement hopes and the



advance in long. The FT 30-share index closed 5.4 up at 432.4.

● **DOLLAR** rose to DM 1.9705 (DM 1.9510), and its trade-weighted index was 91.8 (90.8). **STERLING** fell 2.15c to \$2.1425, and its index was 72.3 (72.6).

● **GOLD** closed \$1 down in London at \$593.

● **WALL STREET** was up 2.73 at 738.48 before the close.

● **BANK OF ENGLAND'S** consultative document on the "Measurement of Liquidity" which in its final form will dictate the amount of liquid assets each UK bank must hold, has caused disquiet among London bankers. Lex, Back Page

● **INDUSTRY** in the UK could face a squeeze on liquidity broadly comparable to that of 1974-75, Industry Secretary Sir Keith Joseph told the Commons. Back and Parliament, Page 12

● **CHRYSLER** failed to agree with bankers and the U.S. Treasury by the April 1 deadline on the terms of its \$3.5bn (£1.65bn) rescue package. Back Page

● **SYSTEM** of Parliamentary examination of spending estimates does not allow enough time for adequate scrutiny and should be changed, a report by an all-party committee says. Page 9

● **BRITISH SHIPBUILDERS'** new full-time chairman is to be 64-year-old Robert Atkinson, subject to agreement on contract details. Back Page

● **KUWAIT** is prepared to sell 475,000 barrels of oil a day to BP, Shell and Gulf, against 121m h/d up to this month. Back Page

● **INVISIBLE EXPORTS** in the UK are expected to show a growth rate this year of 3-7 per cent—lower than in 1979. Page 6

● **EUROPE** could become a net importer of cars by 1983, according to Eurofinance, a Paris-based research organisation. Page 2

● **TITAN** has production is to be transferred from Park Royal, North London, to the Leyland National factory at Wokingham, Cumbria, which is to be expanded at a cost of £4m. Page 8

● **U.S.** is expected to lift the restriction on South Korean colour television imports later this year. Page 6

● **UNICORN** Industries, the industrial holding company, incurred a fall in 1979 pre-tax profits from £7.43m to £8.52m. Page 22

Steel strike ends after agreement on 16% rise overall

BY CHRISTIAN TYLER, LABOUR EDITOR

THE NATIONAL steel strike was called off last night after 13 weeks. A return to work will begin tomorrow at 6 a.m.

Some work will begin almost immediately, but it will be several weeks before iron-making and the bulk of the steelmaking can be resumed.

After a 41-27 vote of its negotiators, rank-and-file leaders of the dominant Iron and Steel Trades Confederation accepted a settlement worth 16 per cent overall, following an increase of 1 per cent on the British Steel Corporation offer awarded by a committee of inquiry.

Mr. Bil Sirs, general secretary of the ISTC, said last night, that the settlement was worth nearer 18 per cent once pensions, holiday and a £50 advance payment were taken into account.

Now the ISTC and its ally, the National Union of Blast-Furnacemen, are preparing for a second struggle, over closure of works planned by BSC as part of an attempt to shed 50,000 jobs this year.

Mr. Sirs said that he was "tremendously proud of the qualities of the iron and steel workers that have emerged" to drive the Corporation up from its original offer of 2 per cent at national level.

The unions had started off inexperienced, but were now "battle-hardened" for the

forthcoming contest over closures.

"If they intend these job losses to go ahead, then I will be recommending the strongest possible action from the TUC—and I will not be the only one either," he said.

The unions' decision was taken amid angry scenes in the lobby of the ISTC headquarters in Grays Inn Road, London.

About 60 pickets from areas

BSC Shorten plant may go to Lombré, Page 7
Threat of national dock strike recedes, Page 11
Thatcher statement, Page 12
Feature, Page 20

that will be hardest hit by closures gathered to protest at what they described as a "sell-out."

Three men were led away by police after a reporter was knocked down and others threatened with violence as they were pushed from the building.

A number of pickets rushed upstairs as news of the negotiators' vote filtered out, and took over parts of the building, delaying the subsequent joint meeting of the ISTC and NUB executive committees which made the final and unanimous decision.

Some steelworkers, frustrated after 13 weeks on the picket lines, may be slow to return to work. Mr. Sirs acknowledged the strong feeling of the minority, but said that the decision was "necessary to defend the interests of our members."

Steelworkers return to work about £1,300 the poorer on average for a guaranteed earnings increase of over £10 a week.

But they may be able to earn up to a further £10 a week if local productivity bargains for voluntary job losses and efficiency improvements are made. Despite the bitterness and re-priming of the militants, Mr. Sirs showed no signs of having suffered a defeat. Indeed, he seemed almost heartened by the outcome of the first national strike of any sort for decades.

It will have cost BSC about £150m on top of its existing losses, and the probable disappearance of some 5 per cent of its UK market share in the long term.

It has also left a legacy of bitterness, illustrated by the union's vote of no confidence in BSC management, and the demand last night for a further inquiry into the running of the corporation.

BL Cars strike threat recedes as unions split

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

FEARS of an all-out strike by BL Cars manual workers receded last night with the engineering union's decision to instruct members to accept the company's controversial pay package.

The decision marks another victory for the tough line Sir Michael Edwards, BL chairman, has taken with the unions.

The company's offer of a 10 per cent pay rise for top grade workers, compared with 5 per cent for the rest, appears to have driven a wedge between the skilled unions and the Transport and General Workers' Union.

Mr. Terry Duffy, president of the Amalgamated Union of Engineering Workers, said his executive had voted unanimously yesterday to support the pay package following a "two to one" vote by members within BL not to take action.

He said: "We will instruct our members to re-sume work after the Easter holiday and support the terms of the company's programme."

National officials of the 11

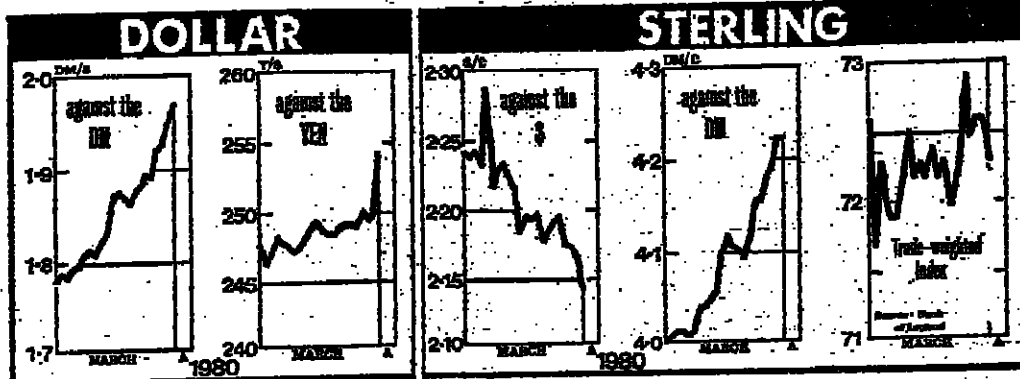
unions representing the 85,000 manual workers, including the AUEW, meet in Coventry today to consider a call by union negotiators for a strike from April 8.

The TGWU, which initially gave strong backing for the call, will find it difficult to find support given the splits among the unions. Those representing the electricians and pattern-makers are also expected to resist strong opposition to militant action.

But even a union climbdown from threatened action will not guarantee BL an easy passage with its proposed measures, which include fundamental changes in working practices.

The TGWU, like the other unions, fears the consequences of a dispute, but feels obliged to defend the traditional power of its shop stewards to control working levels and the pace of work.

But BL cars seems prepared to ride out resistance expected from groups of workers or individual plants. Stocks of most



Dollar continues to rise

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE DOLLAR continued to rise sharply yesterday against all other major currencies in spite of continued very heavy central bank intervention.

The gains were in response to further increases in U.S. interest rates, and took the dollar up to its highest level since summer, 1978, against both the Deutsche Mark and the Swiss franc.

The strength of the dollar is best reflected in its trade-weighted index, measuring its value against the average of other currencies as calculated by the Bank of England. This rose a point to 81.8 yesterday—the highest level since November 1977, and a rise of 6 per cent in the last month.

The further appreciation of the dollar has put pressure on the authorities in West Germany and Switzerland to consider a further increase in their interest rates to support their currencies.

The central banks of both countries, along with those of the Netherlands and Japan, were reported to be intervening on a very large scale. The Bundesbank sold \$33.9m at the morning fixing in Frankfurt yesterday, and is believed to have sold a much larger quantity of dollars during the rest of the day.

Nevertheless, the dollar still rose to DM 1.9705, compared with DM 1.9510 previously and less than DM 1.89 a month ago. The U.S. currency rose to SwFr 1.87 against SwFr 1.8510 and to Y254.40 against Y249.85, in response to recent currency movements. The Bank of Japan and the Swiss National Bank yesterday announced a swap arrangement equivalent to roughly \$800m (Y200bn).

The rise in the dollar also affected sterling, which had started to fall in the U.S. markets overnight. After

touching a low of \$2.12674 in the morning, buying was reported from both the Middle East and the U.S., and the pound recovered to close 2.15 cents down at \$2.1425. The Bank of England is not believed to have been active.

Sterling again remained firm against the main Continental currencies, closing unchanged against the Deutsche Mark at DM 4.221 after a rise of nearly 41 per cent in the last month.

The pound's weakness against the dollar resulted in an 8.2 point fall in the sterling trade-weighted index to 72.3. However, the strength of the pound against the Continental currencies in recent weeks has meant that this index has shown little net change in the last month.

Japan agrees Swiss swap
Page 4
Money Markets Page 26

Chase Manhattan lifts prime to 19 3/4% in money cost surge

BY STEWART FLEMING IN NEW YORK

THE CHASE MANHATTAN Bank lifted its prime rate to a new peak of 19 3/4 per cent yesterday amid evidence that the surge in cost of money in the U.S. is having a growing impact on the corporate sector.

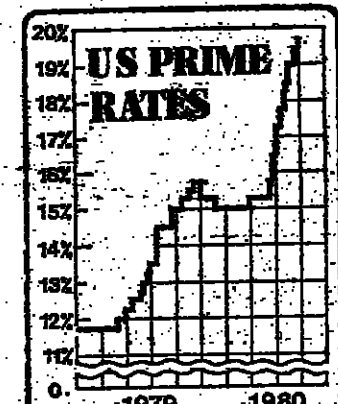
The Chase moved followed an announcement by Citicorp, the second largest U.S. bank, that it was falling into line with last Friday's rise in the prime, when many major banks lifted the rate at which they lent to their best customers from 19 1/4 to 19 1/2 per cent.

But Chase leaptfrogged that rise going from 19 1/4 to 19 3/4 per cent. There were signs of continued tightness in the money markets, and evidence that the Federal Reserve Board was not attempting to resist market pressures which have driven interest rates higher in the past few days.

Thus for the second consecutive day Federal funds, overnight money which banks lend each other, were trading at about 19 1/2 per cent, without determined action by the authorities to ease tight market conditions.

Last week Federal funds traded at an average rate of about 18.65 per cent.

But perhaps the most striking contrast in the money markets, and one which amply illustrates investors' nervousness about the impact of the Fed's policy and high interest rates, was to be seen in the Treasury bill market.



Three-month bills were quoted once again at just under 15 per cent.

Dealers said that in part this relatively low return on a three-month bill, compared with a three-month bank certificate of deposit, quoted at about 18 per cent yesterday, reflected a flight to quality.

Investors are putting their funds most aggressively into what they see as the most secure and most liquid short-term investments even at the cost of a lower yield.

The Chase move was not immediately followed by other major banks, although it is widely expected that others will follow if present high rates and heavy demand for bank loans does not quickly subside.

\$ in New York

| | Mar. 31 | Previous |
|-----------|-----------------------------|----------|
| spot | \$2.1516-1580.02-1.775-1800 | |
| 1 month | \$2.1444pm-0.08-0.15 pm | |
| 3 months | \$2.1444pm-0.05-0.60 pm | |
| 12 months | \$2.1444pm-0.60-0.70 pm | |

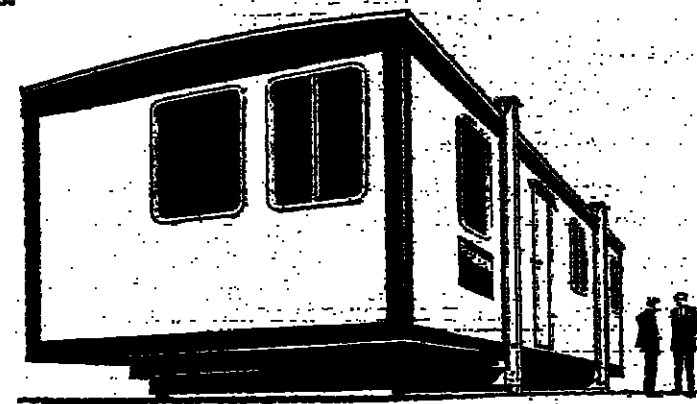
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Call for 3-year Post Office plan

BY GARETH GRIFFITHS

THE Post Office should launch a three-year plan to reverse ten years of falling productivity in London postal services, a Monopolies Commission report on postal services in Inner London recommended yesterday.

The report also called on the Post Office to provide more regular and detailed information on its operations.

The report is to be the subject of a meeting, probably later this month, between Sir William Barlow, Post Office chairman, and Sir Keith Joseph, Industry Secretary.

There should be greater accountability by the Post Office, it says. Various existing controls had done very little to

make the Post Office more efficient.

The report calls for a reduction in excessive levels of overtime working, a work-related incentive scheme, a more professional approach to personnel management and an increase in the price differential between first and second class mail.

The commission, which looked into Inner London postal services at the request of Mr. John Nott, Trade Secretary, also wants the law on the Post Office's letter monopoly modified to encourage the development of more privately-run special Sunday delivery services for urgent mail within the London area. In addition, it says private com-

panies should be allowed to operate a service taking bulk mail out of London for posting elsewhere.

The question of the Post Office's monopoly is already the subject of a separate review by the Department of Industry.

On accountability, the commission wages the monthly publication of performance figures, delivery production levels and the success rate in next day delivery of first class mail. Nothing the little effect previous probes into the Post Office have had, it calls for the Department of Industry and the Post Office to draw up a

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EUROPEAN NEWS

The motor industry could be heading for a trade war in finished cars, according to a new study. Kenneth Gooding reports

Protectionism rears its ugly head again in Europe

EUROPE COULD become a net importer of cars as early as 1982. This is just one of several disturbing trends within the motor industry identified by Eurofinance, the Paris-based research organisation which is backed by several large banks.

In its latest European Car Industry Review, the organisation suggests that protectionism is re-emerging as a major industry theme for the early 1980s. It also concludes that the pace of changing fortunes is so great that it might not be long before European countries are indulging in protectionism against European cars.

At the same time it is becoming much more difficult to export built-up cars or car kits and by 1985 there could be a world surplus of 500,000 "export" cars looking for suitable markets. The motor industry could be heading for a trade war in finished cars.

Identifying the factors which seem bound to turn Europe into a net importer of cars, the report's author, Mr. Michael Hinks-Edwards, points out that the Japanese are the main exporters to Europe with annual sales running at 650,000 units to 700,000.

If the Japanese record only minor increases in existing market shares in Europe but consolidate sales in West Germany (where the indications are that they want up to 12 per cent by the mid-1980s) they could easily be selling 900,000 cars by 1985.

That total does not include Honda cars made by BL (80,000 to 100,000 a year from 1981) or those to be produced under the terms of the deal between Alfa

Romeo of Spain and Nissan of Japan (50,000 to 60,000 a year).

Comecon's Eastern European producers currently sell about 150,000 to 200,000 cars a year on European markets. This could rise to 300,000 by 1985 because Fiat's recently-concluded arrangement with Polski Fiat will at least maintain (and probably expand) the volume of Polish-built car sales, while Citroën's deal with Romania involves the eventual buy-back of up to 65,000 cars a year.

U.S. producers send about 50,000 cars to Europe a year and as they reduce the size of their vehicles there will be scope for them to fill in gaps in the ranges of their European subsidiaries. This scope might be exploited to the tune of about 200,000 units a year by 1985.

Ford of Europe's chairman Mr. Robert Lutz recently said there might be scope for his company to bring from the U.S. a small, four-wheel-drive vehicle as an addition to the European range.

Current imports from other sources are not yet significant but these could represent 50,000 a year by 1985. Fiat will bring into Europe some 20,000 Brazilian-built cars in 1980 and this may well expand. Hyundai of South Korea aims to sell 10,000 cars a year in Europe before 1985.

Against this increase in imports, the reasons for the steady decline in European car exports are well-known, says Mr. Hinks-Edwards. There is the growth of local assembly or production in export markets, the prime example so far being Volkswagen's production in the U.S. of cars which otherwise

| | FUTURE TRENDS (cars 000s) | | | | | |
|------------------------------------|---------------------------|--------|--------|--------|--------|--------|
| | 1980fc | 1981fc | 1982fc | 1983t | 1984t | 1985t |
| Production of which Exports | 10,745 | 10,922 | 11,473 | 12,016 | 12,245 | 12,445 |
| Exports as % of production | 14.4 | 13.7 | 10.5 | 8.9 | 8.3 | 8.3 |
| New registrations of which Imports | 9,965 | 10,172 | 11,073 | 11,650 | 12,116 | 12,410 |
| Imports as % of supply to market | 8.5 | 8.3 | 8.9 | 9.9 | 10.9 | 10.9 |
| Net exports* | 700 | 650 | 200 | -134 | -351 | -365 |
| Stock factor† | 80 | 100 | 200 | 500 | 500 | 400 |

fc = forecast including cycle effect. t = trend.

* Exports minus imports. † Production plus imports but excluding new registrations and imports.

Source: Eurofinance

would have been exported from Germany.

The longer-term aim of most big European importers into the U.S. must be to emulate Volkswagen and increase production-assembly in the U.S. and Latin American thereby reducing dependence on European-built product with its long supply lines and vulnerability to exchange rate changes.

The introduction of "world cars" also complicates the issue. The idea is that components common to models sold in markets all over the world can be produced on a vast scale in a limited number of specialised plants. They would then feed assembly plants supplying national markets.

Ford will end exports of Fiesta from Europe to the U.S. when its "world car" code-named Erika and to be known as the Escort, makes its appearance in the autumn this year. That will cost Europe 70,000 to 80,000 exports.

The Eurofinance report does not mention other developments to follow the launch of Erika such as the ending of

Escort car kit exports to the Far East from Britain because Toyota Kogyo of Japan, in which Ford has a 35 per cent shareholding, will be producing Erika for that market.

By 1982 Ford will have its Cortina/Taurus replacement, code-named Toni, ready and there is every reason to suppose that kit exports from the UK, running at 200 a day, will then cease.

However, as the report points out, "whether the loss of net car exports will be compensated for by gains in component exports is another matter. It is not easy to track component imports and exports in the same way as those of cars."

What is known is that there is a growing volume of component imports into Europe under the aegis of Japanese-Europe deals (involving BL and Honda, Nissan and Alfa Romeo and Nissan and Motor Iberica of Spain) as well as Comecon deals with the West—Renset-Romania, Citroën-Romania and General Motors-Yugoslavia.

The report suggests that those companies will, a "world

component supply" operation—with production facilities in several countries and continents—are not only less vulnerable to protectionism but also will take a bigger share of world car sales during the next decade.

National-direct exporters, "companies producing mainly from a single-country base and relying on exports of finished cars for growth," will face increasing difficulties in the 1980s.

In new markets such as Latin America and the Comecon countries, and in the rest of the world as demand develops, the national-direct exporters face legislation stipulating certain export levels in exchange for the chance to sell cars there.

They will also have to cope with the technical differences in products sold in well-established

markets, like the U.S. and Europe and other parts of the world. Manufacturers exporting in relatively small volumes could find the cost of such adaptation increasingly difficult to meet.

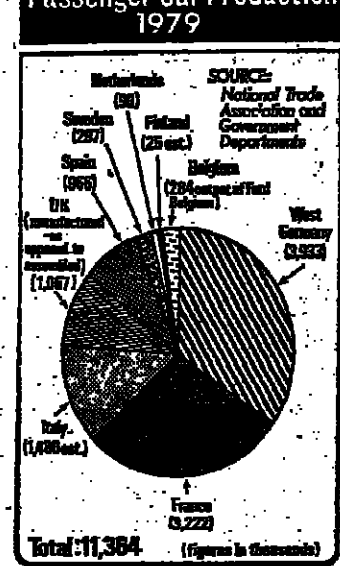
All this will force national-direct exporters everywhere to concentrate their efforts on the same limited number of markets. Eurofinance suggests that the national-direct exporters' share of the business will fall from 4.75m cars in 1980 to 4.3m in 1990 at a time when world car sales should increase from 33m to 43m.

So, the report declares, "the Japanese are clearly asking for political trouble by placing the emphasis on finished car exports." The Japanese producers are already putting in the extra capacity which suggests they want to build exports from 5m to 4m cars a year by 1985. To achieve this they will have to ship a substantial proportion as kits for assembly in the country of destination.

"Such a switch is already happening, for example with Honda's proposed U.S. assembly plant and the arrangements in Europe with BL and Alfa Romeo, but it may not be fast enough."

"Currently about 17 per cent of Japanese car exports are shipped in kit form. This proportion will have to rise rapidly if the Japanese are to head off

Passenger Car Production 1979



Source: Motor Vehicle Manufacturers Association and Government Departments

Figures in thousands

Japan (33%)

Western Europe (33%)

Eastern Europe (15%)

North America (10%)

Other (9%)

Total: 11,384

(figures in thousands)

problems in trade politics," the report maintains.

While the Japanese face problems, so do the European manufacturers as protectionism develops. Eurofinance declares, "it is becoming increasingly difficult to argue that protectionism does not work, see for example Japan, Spain and Brazil."

"Car trade within Europe could become an increasingly 'trouble spot' in the 1980s."

"The speed of the swing in car industry growth fortunes away from the UK and Italy to

France and Spain may be too rapid for the politicians, to say nothing of the trade unions."

Since the report was written, the UK Trade Minister, Mr. John Nott, has complained in the strongest terms to the European Commission about the preferential treatment Spain is giving to those manufacturers who have car and truck plants in that country. He argued that this was not proper behaviour by a country which wants to join the EEC.

France and Spain together, accounted for 31 per cent of European car output in 1973 and this had risen to 37 per cent in 1979. Eurofinance suggests the figure might reach 45 per cent by 1985.

In contrast, West Germany's share of European car output is expected to decline over the same period while in the UK there is the prospect of "a steep decline."

As for Western Europe as a whole, its share of the growth in world car production (up from 30m in 1973 to 35m in 1979) in recent years has been zero. Japan took the biggest share of the extra 5m cars—1.5m—with the rest being taken largely by Comecon and Latin America.

"Thus Europe's share of world car production is down from 38 per cent in 1973 to 34 per cent in 1979—and it is likely to go on dropping."

Confindustria turns for a leader to Italy's smaller enterprises

BY PAUL BETTS IN ROME

VERY SOON, Confindustria, Italy's national employers' confederation—the equivalent of Britain's CBI—will have a new chairman. After a long and difficult search, confederation members have chosen Sig. Vittorio Merloni, a 47-year-old manufacturer of refrigerators and dishwashers, to lead them in the 1980s. He will be elected at their annual meeting in the first week of May.

On learning he was to succeed Sig. Giovanni Agnelli, the chairman of the giant Fiat car group, and Dr. Guido Carli, a former Governor of the Bank of Italy, in the most prestigious job Italian industry can offer, Sig. Merloni remarked that, like the Pope he had to choose a new name, he would call himself "Giovanni-Guido I."

This was a clear reference to Sig. Merloni's intentions of following the broad policies set by his two distinguished predecessors, in much the same way as the last two Popes have chosen the names of their immediate predecessors, Pope Paul VI and Pope John XXIII.

Sig. Merloni's nomination will nevertheless mark the beginning of a new era at Confindustria. He could not come from a more different background than his two predecessors. They were internationally known figures. The charismatic Sig. Agnelli is in his own words one of the few surviving representatives of what is still both big and private in Italian industry. Dr. Carli, who succeeded Sig. Agnelli four years ago when he left the Central Bank, has for years been a leading economic personality in Italy.

In contrast, Sig. Merloni comes from one of those families of Italian industrialists who, from modest origins, managed to build up during the years of the so-called Italian "economic miracle" of the 1950s and 1960s a series of flourishing industrial ventures. Sig. Merloni comes from the central region of the Marches on the Adriatic coast, where his father, Aristide, earned his living originally building schools.

In the late 1950s, Sig. Merloni's father opened a plant manufacturing household appliances with the support of the late Enrico Mattei, the celebrated chairman of the national energy group, ENI, who revolutionised the entire philosophy of Italian state sector companies. The Merlonis never looked back. Like the Zanussi family in the northern region of Friuli, who started off as small manufacturers of stoves and subsequently set up an industrial empire in the domestic appliances sector, the Merloni group has continued to expand.

The group today has an annual turnover of nearly 1,300m and employs 5,000 people in 13 plants in Italy, mainly in the Marches, and in three factories in Britain, Belgium and Portugal. Vittorio Merloni and his two brothers, Francesco and Antonio, took over the management of the group 10 years ago when their father Aristide died in a car crash. In memory of him, the brand name of the Merloni range of products is Ariston.

In many respects, the new Confindustria chairman is a typical representative of that breed of second generation Italian small- and medium-sized industrialists whose activities are now generally regarded as being the most profitable and dynamic end of Italy's industrial structure at large. Highly aggressive, predominantly ex-

port-oriented, constantly renewing technology, this myriad of small- and medium-sized industries has continued to remain profitable at a time when larger Italian groups are facing greater difficulties.

In the Marches, the Merloni group is today regarded as the region's leading industry. Sig. Vittorio Merloni has a private helicopter, and owns a share in a small executive jet. The family has set up an academic foundation, and one of the brothers, Francesco, is a Christian Democrat MP following a recent trend among Italian industrialists to seek direct representation in Parliament to enhance their lobbying power in Rome.

Despite its industrial expansion, the Merloni group has retained the characteristics of a medium-sized company, and none of its plants employs more than 425 workers.

Although Sig. Merloni has indicated that he plans to continue on the broad lines of his two predecessors, he has already made one important public statement. He hoped, he said, to put the emphasis on industrialists' day-to-day problems. "We must be close to those industries which are growing, favour their technological improvement and help the development of their management cadres to make them stronger and more international."

Before his nomination, Sig. Merloni said in a newspaper interview that the new Confindustria chairman "would have to be a successful industrialist, a relatively young man with some experience of employers' associations, and with the time and zeal to work." He seems to fit the bill perfectly.

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Sig. Merloni: beginning of a new era at Italy's employers' confederation.

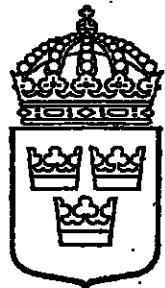
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REPORT SEES NEED FOR FURTHER MEASURES SOON

Gloomy IMF view on Turkish economy

BY DAVID TONGE IN WASHINGTON

THE International Monetary Fund's latest review of the Turkish economy warns that further measures will be necessary to bring the economic crisis under control.

The review, which highlights the intractability of the problems facing Turkey and its creditors, says: "The outlook for the public finances and consequently for monetary restraint is not especially encouraging and, notwithstanding the large rise in the prices of SEE (the State Economic Enterprises) products in January, additional action may soon be required."

It adds that "an important weakness in the authorities' financial policies clearly relates to the (low) level of interest rates. It calls for 'extreme caution' over wage settlements and the need to find new revenue sources if inflation, now running at an annual rate of over 80 per cent, is to be controlled."

The review, which is confidential, is dated March 14 and was circulated to members of the executive Board of the IMF

before the Organisation for Economic Co-operation and Development's pledging session for Turkey in Paris last week. This meeting failed to finalise an aid package which initially had been expected to total \$1.2bn-\$1.5bn. A further meeting is due on April 15.

Paris failure

The outlook for this new meeting appears favourable, even if the package is now forecast to be \$1bn-\$1.1bn. The general view is that the IMF's latest report did not contribute directly to the failure of the Paris session. "It reflects that even in the course of this year, things in Turkey have not gone so well, but it did not cause us undue surprise," was one comment. However, the pledging session did hear remarks about the viability of the Turkish Government. Further, fears were expressed about the implementation of the Government's austerity programme which had not been heard at the previous OECD meeting.

It is these fears which run through the IMF's report, which comments favourably on the wide-ranging measures announced by the Turkish government in January. It estimates that, if a reasonable volume of imports is to be assured, the external financing gap will be \$2bn-\$3bn. It also stresses that the Government's effort to control inflation "will succeed only if it is supported by the availability of sufficient external credits and an adequate rescheduling of external debt to permit a significant recovery in the volume of imports."

The reports warn that the high rate of domestic inflation implies that the impact of the devaluation will again be rapidly eroded.

Turning to public finances, the IMF notes that the latest estimates of the 1979 budget show a "significantly more unfavourable outcome" than a month earlier. Also, recourse by the Treasury to the central bank was only kept within the established limits by further in-

creases in deferred payments to domestic contractors and in arrears on external debt, as well as by the issuance of development bonds.

Budget estimates: The cash deficit on the budget is forecast by Turkish officials to rise 40 per cent to TL 100bn (£6.4bn) but the IMF staff believe this will be an underestimate.

Steep increase

The State Economic Enterprises: These lost TL 60bn (£4bn) in 1979, about the same as in 1978, despite a steep increase in the prices of goods and services. The picture of their financing worsened sharply. The IMF says that the projection of an operating surplus for the SEEs in 1980 seems optimistic and warns that additional price increases could be needed to avoid losses.

Monetary targets: The IMF says that the limits established under the stand-by arrangements have been met but reserves identified but more time given to the public sector be increased.

Balance of payments: The IMF forecasts exports to reach \$2.9bn and imports to be \$6.9bn-\$7.9bn. The range depends on whether oil imports remain at the depressed levels of 1979 or increase in volume by around 20 per cent, as the Government would like.

Workers' remittances have responded disappointingly to the January devaluation and the current account deficit is expected to total \$3.2-\$4.2bn. After allowing for existing IMF and other credits it foresees a financing gap of \$2bn-\$3bn.

By IMF standards, the report's language is strongly critical, but it also reflects the IMF's traditional tendency to concentrate on restraining the demand side of the economy. Ten days ago an IMF Board meeting agreed that more weight should be given to stimulating supply.

The banks' reaction to the Turkish Government's policies has been slightly more sympathetic than the IMF's review, with the same problems identified but more time given to the Turks to come to grips with them.

French call for closer monetary co-operation

By David White in Paris

FURTHER MOVES to co-ordinate international monetary policy are called for in a report sent to President Valéry Giscard d'Estaing by the Bank of France this week.

Presenting his first annual report as Governor of the Bank of France, M. Renaud de la Genière said that closer international co-operation, especially in the monetary sphere, was indispensable if inflation was to be brought under control and the international monetary system made more stable.

He praised the progress made so far by the monetary authorities of the main Western countries, and particularly the successful introduction of the European Monetary System.

M. de la Genière was appointed last November. France's economy had shown proof of its "vigour" last year despite world-wide difficulties, the new governor went on. It had achieved continued growth, increased exports, maintenance of a surplus in the current balance of payments, despite the extra oil bill, and a stable franc.

But bank lending to industry and households had advanced too rapidly. The Government's aim was to keep the growth of money supply down to 11 per cent this year. This was the same target as for 1979, when the actual growth rate exceeded this level by two percentage points, and it implied tighter credit controls and maintenance of sufficiently high interest rates, in line with the trend in other countries.

A fresh set of norms for credit growth this year were published at the weekend, aimed at getting rid of some of the loopholes built into the control system.

Firm Matthoefer line on current account deficit

BY JONATHAN CARR IN BONN

THE West German Finance Minister, Herr Hans Matthoefer, has prescribed a tough programme for the gradual removal of the country's current account deficit, which totalled DM 9bn (£2.2bn) last year and may be more than twice as big this year.

Writing for the press service of the ruling Social Democrat party, Herr Matthoefer stressed that efforts were needed both to boost exports and to cut the country's ever increasing oil import bill.

This meant on the one hand that the state must not try to shield the consumer from the impact of higher energy prices, since this would undermine the drive to save energy and to seek alternative sources.

On the other, West Germany's competitiveness abroad had to be improved, in particular through increased supply of energy-saving capital goods for which demand was rising worldwide.

Further, Herr Matthoefer firmly ruled out a general increase in public spending —

and in the government deficit — to try to ward off a possible economic downturn. He felt such action would simply take essential pressure off enterprises to try to increase exports.

The picture drawn by Herr Matthoefer is an uncomfortable one for party colleagues who face a general election in only six months time. The message is that there is no short-term solution to the country's economic problems, least of all through a boost in Government expenditure.

Herr Matthoefer even seemed to find some grim satisfaction from the rise of the U.S. dollar, although this development is increasing West Germany's oil bill in Deutsche Mark terms.

He noted that the dollar was rising against most currencies — not only the Deutsche Mark — not least because of the sharp boost in U.S. interest rates. This, in turn, was a clear sign of the determination of U.S. monetary authorities to control inflation.

Dutch refuse to inject more capital into ailing shipyards

BY CHARLES SATCHELOR IN AMSTERDAM

A MAJOR part in the Dutch Government's programme to restructure the troubled shipbuilding industry is threatened with failure. The future of major yards near Rotterdam is now in doubt after Mr. Gijs van Aardenne, the Economics Minister, announced that extra Government aid will not be forthcoming.

The Minister gave details to Parliament yesterday of the reasons for his refusal to supply an extra Fl 100m (£21.8m) to help set up a new shipbuilding concern which would build off-

shore structures and large vessels.

Rotterdam Offshore en Scheepsbouw Combinatie (ROS) has already been promised up to Fl 250m worth of aid, but mounting losses have meant further Fl 100m is needed. Losses by ROS totalled Fl 135m last year — Fl 65m more than expected.

The Cabinet will consider tomorrow proposals from the Minister to make further cut-backs among the large shipyards along the Maas Estuary, near Rotterdam. The extent

of losses, the poor market prospects and the need for extra financing all mean that even a slimmed-down large shipbuilding yard cannot be continued.

ROS, which has yet to start operating as a unified company, consists of a number of yards which previously formed part of the Rijn-Schelde-Verolme (RSV) group. The Government took over responsibility for the losses of these companies in January 1979 when their losses threatened to swamp profits made elsewhere by RSV.

The new company would have

comprised RDM Offshore, the new shipbuilding activities of VDSM, Verolme Marchinefabriek IJsselmonde, RSV — Guero Engineering and the engineering office Marcon.

The managing board of ROS had from the outset called for more funds to enable the combine to get off the ground. The current Centre-right Government has taken a tough line on "lame ducks," switching most of its investment aid over to industries with good prospects and away from maintaining declining sectors. Extra funds for ROS

would mean less for the rest of the shipbuilding industry, the Minister said.

Spokesmen for the shipbuilding unions said they felt they had been deceived by the Government which, they claimed, had wanted to shut down the loss-making yards all along.

The jobs of 1,700 workers employed in these yards are now threatened, while further job cuts could occur among suppliers, the unions said.

RSV results, Page 28

FAO seeks legally binding pledges on food aid

BRUSSELS — An international convention for emergency food aid, legally binding its signatories to their pledged contributions, was proposed yesterday by the head of the United Nations Food and Agriculture Organisation (FAO).

Mr. Edward Saouma, the FAO director-general, said such a convention is needed as western food aid pledges have not been fulfilled in recent years.

"I'm aware of the political implications of such a move, but I'm convinced that the chaotic situation of the world calls for a bold approach," Mr. Saouma told the European Parliament's development and co-operation committee.

The UN's international emergency food reserve, set up in 1975, had never reached its target of 500,000 tons of grain. In 1979 it barely exceeded 300,000 tons, Mr. Saouma said. Experience had shown that an annual reserve of about 2m tons of grain would be necessary.

To guarantee such aid, I think it would be appropriate to resort to an international convention which would legally bind the signatories. I ask you to back this proposal strongly

with the Community authorities," Mr. Saouma told the committee.

He also called on the committee to lobby for greater Common Market development aid and regular food aid to the world's poor and hungry.

"It's disappointing to find that public development aid by the 'Western' countries has barely attained half of the target set at 0.7 per cent of (their) gross national product," Mr. Saouma said.

The Common Market was not doing enough in regular food aid, he said. Although it recently raised its grain aid from 1.2m to 1.6m tons annually, the food convention, just initiated in London, involves 7.6m tons of grain or only three-quarters of the minimum target set more than six years ago.

"The Community's dairy produce aid could also be greatly increased. Its level has not changed in the past few years while surpluses are piling up," he said.



Mr. Brezhnev: received Lenin literary prize

Brezhnev reappears in public

By David Satter in Moscow

THE SOVIET President, Mr. Leonid Brezhnev, reappeared in public after an absence of almost four weeks and warned television viewers that in the light of increasing international tension, the Soviet Union would have to "keep our powder dry."

Mr. Brezhnev issued the warning on Monday in an address to high-ranking Soviet officials on Monday after receiving the Lenin Prize, the Soviet Union's highest literary award, for three volumes of memoirs about his experiences in the Second World War, post-war reconstruction and the development of the virgin lands.

"The existing international situation, particularly the facts of recent times, prompts us to keep our powder dry, to be determined and consistent in upholding the cause of peace," the 73-year-old leader, who was last seen in public on March 4, also used the ceremonial occasion to repeat past criticisms of weaknesses in Soviet propaganda and ideological work.

The Communist Party Central Committee in an apparent reaction to the popularity of foreign radio broadcasts, passed a resolution last spring calling for an improvement in Soviet ideological work, but the only results so far have been a few changes in newspaper layouts and slightly more variety in television news programming.

Mr. Brezhnev said ideological work was "spiritual enrichment" and the time had come to discard "high sounding words, bureaucratic language and mechanical repetition" all of which are typical of the Soviet Press.

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OVERSEAS NEWS

James Buxton reports on a recent trip to North Yemen

Why Sanaa makes the Saudis nervous

COULD North Yemen follow Afghanistan to become the next country to fall under Soviet influence? A strong of developments recently led pessimists in Riyadh and Washington to reach this conclusion.

First, they saw President Ali Abdullah Saleh's North Yemeni Government moving towards unity with Soviet-dominated, Communist South Yemen. Second, the North entered talks with the National Democratic Front, its guerrilla opponents who are supported by the south, as the Front joined the government.

Third, enormous quantities of Soviet arms and more Soviet military advisers had been coming into North Yemen since last summer, hard on the heels of an arms deal with the U.S.

Finally, because the Government in Sanaa was on poor terms with Saudi Arabia, the Kingdom had cut off its financial support. But in the past few weeks the Saudis have resumed their aid: the guerrillas have been told they would not get Cabinet posts in a unified government and the North Yemen Government has assured Western countries and other Arab states that if there is union with the South, it will not be on the basis of a Communist government.

A Soviet-dominated North Yemen closely linked to South Yemen, where Russia has a base at Aden, would be a disaster for the West, mainly because of the danger it would pose to Saudi Arabia.

But in North Yemen, politics are not viewed in such stark terms of East versus West. North Yemen has always walked a tightrope between conservatism and radicalism dictated by the stance of its neighbours and its own turbulent internal politics.

President Ali Abdullah Saleh has been playing the traditional Yemeni game with vigour and, having now obtained both Soviet arms and Saudi money, great

success. What makes the game dangerous is that the Soviet Union now seems eager to make the most of opportunities in southern Arabia.

The root of North Yemen's problems is Saudi Arabia's ambivalence. Anxious to keep North Yemen non-Communist, Riyadh is equally anxious that Sanaa should never become strong, let alone united with the South.

Saudis recognise that Yemenis are more industrious than they are, as well as being more numerous (there are about 6m people in North Yemen, about 1.5m in South Yemen and about 5m in Saudi Arabia).

So, while adding the Sanaa Government, they have also financed tribes in the north of the country who oppose the central government and have plotted the downfall of any Yemeni leader who looks like forging a strong nation state.

The past year has revealed the bankruptcy of Saudi policy. In February 1979, when South Yemen assisted a National Democratic Front invasion of the North, Saudi Arabia panicked and dared not offer even token military help from its own forces.

Though the South Yemeni army became over-extended, the North Yemeni forces were humiliated and the final settlement, negotiated in Kuwait, was an improbable agreement by the two states to unite.

As a result of the war, Saudi Arabia persuaded the U.S. to speed up a long-standing arms deal over which Washington had been dragging its feet for four years to provide a large new package of arms, including 16 F16E fighters, 64 M80 tanks and anti-tank and anti-aircraft weapons.

The Saudis paid for much of the equipment and for the teams to train the North Yemenis to use it.

But delivery of the arms was held up by technical hitches on

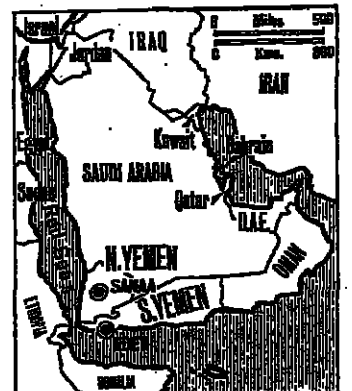
the U.S. side and some political obstruction on the Saudi side.

Though the impatient Yemenis obtained all the F16s just in time for last September's national day parade, they saw that through its control of the training teams, Saudi Arabia could sabotage the programme at any time, while in terms of numbers of tanks and planes, the U.S. equipment still did not bring North Yemen anywhere near parity with the South's forces.

At the root of North Yemen's problems is the ambivalent attitude of Saudi Arabia, which is anxious to keep the Sanaa government non-Communist but is equally concerned that it should not become strong or united with the South.

which originally came from Saudi Arabia!

Having started conscription and bolstered its forces to a strength on paper roughly comparable with South Yemen's (though it will take years to train enough men to justify the quantity of weaponry) the Sanaa government could happily assure Saudi Arabia that it would not buy any more Soviet arms, and in return the Saudis recently resumed their budget support.



As North Yemen had used almost entirely Soviet weaponry since 1956 (many Yemeni officers speak Russian), an off-setting arms deal with Russia made a lot of sense. So, last summer and autumn, negotiations took place first with Poland and then with Russia for T55 tanks and MIG 21 aircraft.

Russian tanks and aircraft began arriving in November, only a month after agreement was reached. As many as 400 tanks are believed to have been delivered, and at one stage Soviet technicians were training Yemenis on MIG 21s at one end of Sanaa airport while Americans and Taiwanese were showing them how to use F5s at the other.

The North Yemen government paid Russia in cash

The government insists that the Soviet arms deals have meant only a small increase in the number of Russian military advisers in the country, from about 200 to 300 (compared with 700 in 1974).

The improved relations with Saudi Arabia are not likely to mean the dropping of moves towards unity with the South. The committee investigating it is working normally and the South Yemeni Defence Minister recently went to Sanaa to discuss unifying the armed forces.

But there is much that is unreal about these talks. Both sides see unity as desirable in theory, but each wants it on its own terms. South Yemen is a harshly-governed Communist state whose unpopularity is shown by the fact that nearly

half its original population now lives in North Yemen, where governmental control is far weaker but where economic development is faster and prosperity greater.

Though President Saleh's government is a coalition and contains a few ministers who would probably like to see unity with the South under Communism, the government as a whole seems to have no intention of agreeing to any such thing.

But over the past 16 months the National Democratic Front has been wresting control of individual villages away from traditional ruling sheikhs in the southern part of the country and more recently the Tihama coastal plain, and encouraging some of the northern tribes to oppose the government by supplying them with arms.

Often the NDF action has responded to genuine grievances about corrupt or incompetent sheikhs, and the movement partly reflects the shift of economic power away from traditional rulers as more and more Yemenis become rich from the boom in Saudi Arabia and more village development projects are tackled on a co-operative basis.

The government denies that the NDF poses any danger and in places it has been driven out with force. But it is a measure of the NDF's influence in North Yemen that in January it was invited for talks with President Saleh on joining the government.

The talks ended without agreement, perhaps because the NDF was too greedy, but the Front will contest the free elections for the constitutional assembly the government promises to hold at some stage this year.

President Ali Abdullah Saleh wants to solve North Yemen's external and internal problems by building a strong and unified modern state. But to succeed he must triumph over the inherent factionalism of his country and the destructive competition of its ill-intentioned neighbours.

Kaunda urges black states to unite against poverty

BY MICHAEL HOLMAN IN LUSAKA

PRESIDENT Kenneth Kaunda of Zambia, in a key note address to the economic meeting of nine southern African states here, made what appeared to be an attempt tactfully to steer the conference away from economic confrontation with South Africa.

The regional group had been established "despite and not merely because of South Africa and her concept of a regional constellation of states," the President told delegates in his opening speech.

"Our task is to link up our economies in order to strengthen ourselves. This is important in the strategy for self-reliance against possible attempts by South Africa to undermine the independence of various countries in the region."

The "economic success" of the group would "certainly deal a mortal blow to the policy of apartheid," he went on but his seven-page address dealt specifically with South Africa in only two cautiously-worded paragraphs, and concentrated on the need to "form a powerful front against poverty."

Attending the one-day meeting, preceded by talks at ministerial level, were Presidents Nyerere of Tanzania, Machel of Mozambique, Seretse Khama of Botswana, and Dos Santos of Angola; Prime Minister Robert Mugabe of Zim-

babwe, and representatives from Swaziland, Lesotho, and Malawi. Mr. Sam Nujoma, President of the South-West Africa Peoples Organisation (SWAPO) was present as an observer.

Except for Angola and Tanzania, all the states have vital economic links with South Africa. Zambia has been forced to import maize to avert a food shortage and the new Government of Zimbabwe has said that trade links with Pretoria will remain, in a pragmatic approach similar to that of Mozambique.

The tone of President Kaunda's speech contrasted with some passages of the draft declaration: Southern Africa: Toward Economic Liberation. Drawn up at the first meeting of the group in Arusha, Tanzania, last July.

The draft, now before the Lusaka meeting for approval, describes South Africa as "a racist régime which holds Namibia under military occupation, grossly exploits the people and the economies of the independent states, and is a major barrier to our national development."

The contrast is in part a matter of emphasis. The Arusha draft speaks of the necessity "to liberate our economies from their dependence on South Africa," while President Kaunda yesterday placed regional co-operation in a wider context, speaking of a "war against poverty" and the international need for economic reconstruction.

In the other public speech yesterday, President Seretse Khama, the group's chairman, maintained the theme of "economic liberation" which he adopted at the Arusha meeting, but was also careful to avoid a note of confrontation.

"What we... seek is the ability to exercise some degree of choice which insures us against domination by one powerful partner. We are looking for choice of transportation routes, choice of market choice of sources of energy, and choice of investment partners. Some delegates here believe that certain passages from the Arusha draft may be amended, but the programme for economic co-operation drawn up last July is expected to win approval."

It proposed the establishment "as a matter of urgency" of a Southern Africa Regional Transport and Communications Commission to be based in Mozambique. It also advocated the creation of a regional development fund, the co-ordination of aid to member states, a joint policy on food reserves, and pooling of information and resources in the fields of mining, energy, and agriculture.

Japan agrees Swiss 'swap' arrangement

BY RICHARD C. HANSON IN TOKYO

THE Bank of Japan and the Swiss National Bank yesterday agreed to a rather unusual standby swap arrangement denominated in yen and Swiss francs equivalent to \$800m (¥200bn) aimed at enhancing their co-operation in stabilising the exchange markets.

The arrangement, signed by the heads of the two central banks in Tokyo, came on a day when the yen plunged against the dollar to the lowest point in nearly 2½ years. The Central Bank said, however, that the Swiss swap announcement was not related to the hectic market conditions.

The bank of Japan is believed to have sold about \$550m to support the yen. The dollar jumped from an opening of ¥250.10 to a high of ¥253.80 at one point, with spot turnover rising to a heavy \$1.15bn.

The market was rife with rumours of imminent action by the authorities to restrict short-term outflows, but none of these came true.

The agreement with the Swiss central bank may provide some much-needed psychological support for the yen. However, the Swiss and Japanese monetary authorities do not expect they will be using their new swap facility in the immediate future.

The arrangement would involve—in the case of support for the yen—selling of Swiss francs (SwFr 1.4bn would be available on two days' notice) to acquire dollars.

These in turn might be sold for yen. The Swiss franc at present is under selling pressure of its own, and the Central Bank in Switzerland would probably not like to aggravate the situation.

The agreement, signed yesterday, is also not directly linked to the announcement on March 2 that the Swiss authorities would co-operate with Japan in defending the yen. The Swiss are believed to have actually sold dollars for yen on at least one occasion since then.

The March 2 package also involved the on either swap arrangement Japan can draw on, a \$5bn facility with the New York Federal Reserve. So far, the swap has not been used, according to a Central Bank official.

The Japanese authorities, however, have resorted to some fairly heavy selling of their holding of U.S. Treasury bills through the New York Fed, for funds to prop up the yen in Tokyo.

This was reflected in a sharp decline in Japan's official foreign currency reserves last month, much of which is normally invested in Treasury Bills. As at the end of March, the reserves stood at \$12,543bn, a \$2,228bn drop from the end of February.

It represents the first time in more than four years that Japan's reserves have slipped below \$20bn.

Egypt raises interest rates

EGYPT HAS raised interest rates by 1 per cent across the board for local currency in line with the general policy of economic reform suggested by the International Monetary Fund with which the Government is negotiating a new loan, David Lennon reports from Cairo.

Price increases covering much of the South African economy came into force yesterday, affecting food, transport, fuel and construction costs. Reuter reports from Johannesburg.

Chad hospital alert The International Red Cross is evacuating the central hospital in N'Djamena, capital of Chad, Reuter reports from Geneva. The hospital is caught in the middle of fighting in the capital, and a field hospital is to be set up in a safer zone to cope with "the enormous flood of wounded."

Malaysia power plan Malaysia's National Electricity Board has been asked to shelve plans for nuclear power generation, partly because of fears over radiation, Mr. Leo Moggie, Minister of Energy, Telecommunications and Posts, said yesterday. AP reports from Penang.

Troops for Assam India has sent two battalions of the paramilitary Border Security Force to its north-eastern state of Assam, where agitation is continuing against Bengali immigrants, the Press Trust of India said, Reuter reports from Calcutta.

Seoul severs talks with North

BY RON RICHARDSON IN PANMUNJOM

SOUTH KOREA yesterday refused to continue talks with North Korea aimed at arranging a meeting of their respective Prime Ministers, in protest at three armed incursions into the South attempted by North infiltrators.

Instead, the three Southern delegates insisted on abandoning yesterday's attempt to set an agenda for the Heads of Government conference.

Meeting in a tense atmosphere for the first time since the contacts began in early February, the delegates from

both sides eventually agreed to postpone yesterday's session until April 18, "hoping that we can meet in an atmosphere which is better than that of today."

The South Korean representatives insisted that attempting to hold talks aimed at bringing the two governments of Korea closer together only days after clashes which left six South Koreans and at least four North Koreans dead, was "contradictory."

They demanded that the North "take action to make sure

such armed provocations cease." The North denied it had instigated any infiltration attempts and charged that Seoul was attempting to dampen the atmosphere for the talks by "forging" the incidents.

South Korean officials are uncertain how to interpret the spate of minor military provocations, which they believe are directly linked with the on-going North-South dialogue. Observers are unwilling to make any predictions about the fate of the Prime Ministers' meeting until they see if the border "incidents" stop.

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NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of April 15, 1975 under which the above-described Bonds were issued, \$6,000,000 principal amount of said Bonds have been selected for redemption on April 15, 1980, through operation of the Sinking Fund, at the principal amount thereof, together with accrued interest to the date fixed for redemption, as follows:

Outstanding Bonds of \$1,000 Each of Prefix "M" Bearing Numbers Ending in Any of the Following Two Digits:

02 10 16 22 28 34 40 46 52 58 64 70 76 82 88 94

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52 57

On April 15, 1980, the Bonds designated above will become due and payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Said Bonds will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 133d Floor, 30 West Broadway, New York, New York 10015, or (b) at the main office of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt/Main, London and Paris, or Bank Mess & Hope N.V. in Amsterdam, or Banca Morgan Vonwiller S.p.A. in Milan, or Kredietbank S.A. Luxembourg, or in Luxembourg and of Swiss Bank Corporation in Zurich. Coupons due April 15, 1980 should be detached and collected in the usual manner. Payment at the offices referred to in (a) above will be made by check drawn on, or transfer to a dollar account maintained by the payee with a bank in The City of New York.

On and after April 15, 1980, interest shall cease to accrue on the Bonds herein designated for redemption.

PETROLES MEXICANOS
By: MORGAN GUARANTY TRUST COMPANY
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Dated: March 13, 1980

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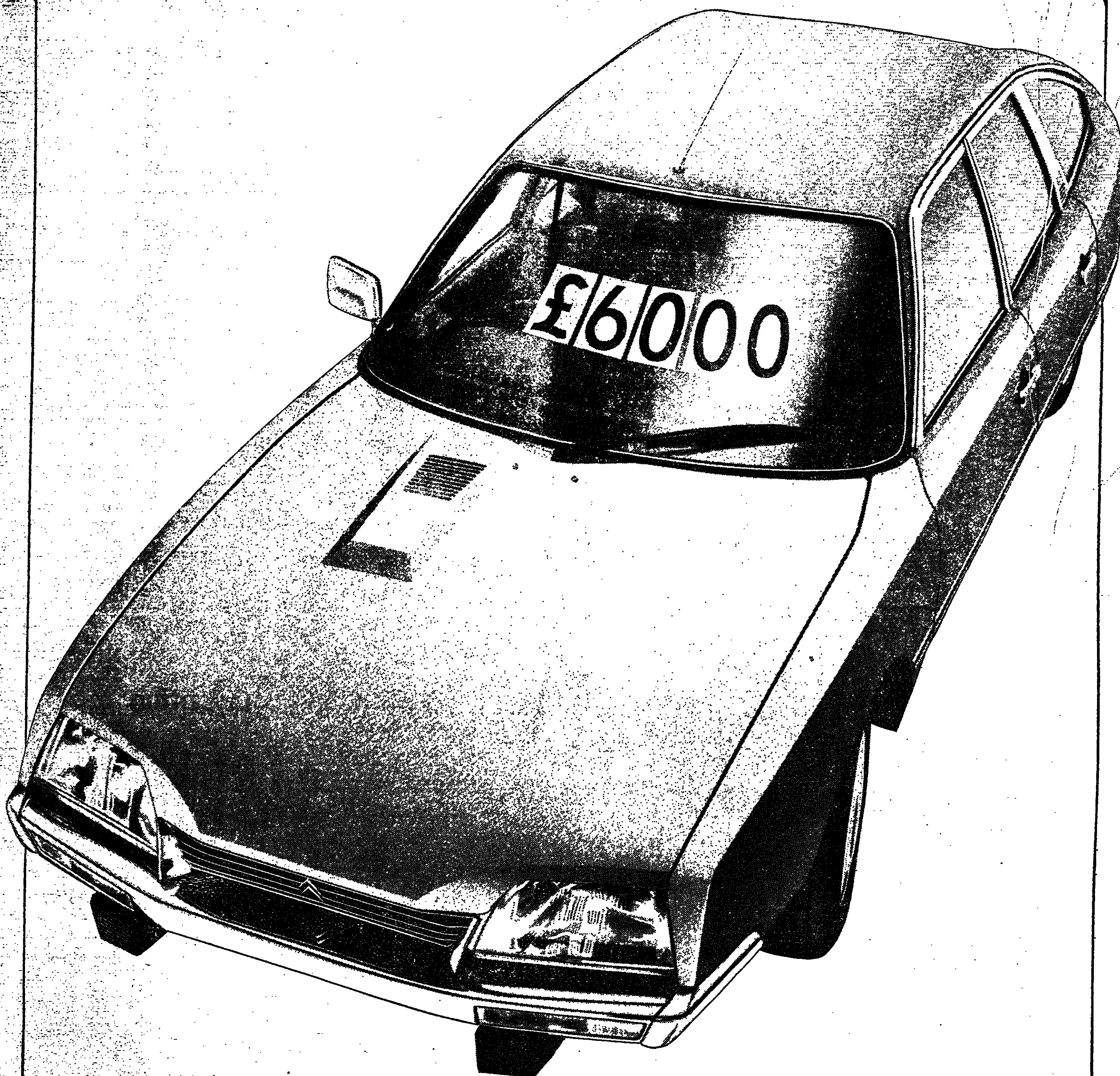
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HAS SOMEBODY GOT THE PRICE UPSIDE DOWN?

Let us put you straight immediately.

The Citroën Reflex really does cost only £6000.

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35.8mpg at 56mph. 29.1mpg at 75mph and even 23.5mpg crawling through town.

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AMERICAN NEWS

Carter's cuts attacked by Kennedy and Republicans

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT CARTER'S revised 1980-81 budget proposals quickly came under attack yesterday from two predictable quarters — Senator Edward Kennedy, his chief rival for the Democratic Presidential nomination, and Republican leaders on Capitol Hill.

On the morning of the Wisconsin primary election, Senator Kennedy charged the Democratic President with presenting a "Republican" budget by proposing a \$15bn public spending cut. By contrast, opposition party leaders complained that the 1980-81 budget package was not Republican enough because it contained no tax cut plan.

Representative John Rhodes, the House minority leader, presented the Republican alternative budget plan, calling for spending reductions plus a \$25bn tax cut in 1980-81. Lower government revenues and outlays are two prevailing

orthodoxies of the opposition party. But how they would result in a balanced budget — a third credo of the Republicans — is not clear.

Mr. Rhodes also claimed the Administration was trying to balance the budget by raising taxes. This is a charge to which the Administration is very sensitive in an election year. On Monday Mr. Carter's economic advisers went out of the way to stress that the \$15bn spending cuts would alone close the 1980-81 deficit and put the budget into small surplus of \$500m.

The overall estimate of a \$16.5bn surplus in the coming year is based on the calculation that during 1980-81 two new tax proposals of the Carter Administration — a petrol conservation fee on imported oil and a withholding tax on interest and dividends — would bring in \$16bn. These tax receipts are somewhat

phony because sooner or later both taxes will need Congressional approval and that is by no means assured.

Administration officials seemed to recognise obliquely this fact when they stressed this week that Congress would be urged to balance the 1980-81 budget by paring spending alone, not by dipping into revenues from the two new tax initiatives.

Liberal members of the Democratic Party, in particular, can be expected to bridle at the proposed cuts in domestic social programmes coupled with increased defence spending.

Some have already detected a sleight of hand in the administration's claim to have lopped \$1bn extra off the Defence Department's weapons programmes in 1980-81 while still planning a \$5.7bn increase to cover fuel costs and new naval operations in the Indian Ocean.

WORLD TRADE NEWS

Peugeot forced to ship parts to Nigeria

By Terry Dodsworth in Paris

THE NIGERIAN authorities have finally forced Peugeot, the French car company, to abandon its system of flying out components to its vehicle assembly plant at Kaduna.

The so-called "aerial bridge" has now been abandoned. Since the beginning of the year it has been gradually replaced by sea transport from a variety of French ports.

These changes follow about six months of strong pressure from the Nigerians, who want to develop use of the country's ports. Under the new system, the components will be shipped to Apapa, where they will travel either by road or by rail to Kaduna.

Both Peugeot and UTA, the French airline which carries the parts, have fought hard against the change. For Peugeot, sea transport means less flexibility and will probably demand higher stock levels, while the aerial bridge accounts for about 15 per cent of UTA's freight receipts.

In addition, virtually 70 per cent of the freight traffic at the Lyon-Satolas airport has been devoted to the Peugeot business.

The air freighting of parts to Peugeot's Kaduna works, the company's most important operation in Africa, began in 1975. About 1,000 tonnes of components have to be transported weekly to maintain production at its present level of about 25,000 vehicles a year.

Rhodesia-UK outlook improves

By Mark Webster

BRITISH TRADE with Rhodesia is slowly picking up, according to applications for cover received by the Export Credits Guarantee Department.

The ECGD has already received 70 applications for short-term cover since it was reintroduced in December after 14 years of international sanctions.

The ECGD said applications ranged from telecommunications equipment and knitting machinery to mining equipment. The value of the orders was between £1,000 and £150,000.

The department has now announced the extension of its facilities to provide medium-term cover for capital and semi-capital goods which are badly needed in the country because industry has been unable to replace outdated capital machinery.

Initial responses to the restoration of ECGD cover were about what had been expected, the department said. But it is thought that the next three months will see a significant improvement in the level of exports to what was once a thriving market for British goods.

Reports on the country's economy have highlighted the need for capital goods in industry and agriculture.

One of the first British companies to take advantage of trade with Rhodesia was Satchwell Sunvic which makes central heating controls. It has secured a contract worth £20,000 for the supply of electronic thermostats for the agricultural industry.

U.S. likely to lift S. Korea TV quota

BY RONALD RICHARDSON IN HONG KONG

THE U.S. is expected to remove the restriction on the import of South Korean-made colour TV sets later this year.

According to a senior U.S. Congressman visiting South Korea as part of a delegation, President Carter is expected to allow South Korean manufacturers full access to the U.S. market from July 1, when the Orderly Marketing Agreement, which places a ceiling on imports, expires.

Mr. Charles Vanik, chairman of the trade sub-committee of the House of Representatives

Ways and Means Committee, told a Press conference he did not expect the restraint agreement to be renewed. President Carter has to make a decision on the future of the pact by June 15.

The orderly marketing agreement, which came into force on February 1 last year and limits the import of South Korean TVs to about 204,000 a year, is a major irritant in U.S.-South Korean relations and its removal would be in line with other recent decisions by the U.S. Administration aimed at

helping South Korea economically during its present period of political transition.

The local colour TV industry was developed with the U.S. market as its target and the five manufacturers have a combined capacity of about 1.7m sets a year. However, the limited access that has been available to the U.S. market held production down to about 400,000 sets last year.

The South Korean industry has felt unfairly restricted as the quota for imports from Japan is 1.75m sets a year.

Mr. Vanik said removal of the limit on shipments would offer an opportunity for growth to the Korean industry. "However, I must caution against surges in trade. Exporters must be sensitive to the political overtones of surges or unreasonable levels of imports," he said.

He also called on the South Korean Government to allow the sale of colour television sets domestically as one way of reducing the impact in the U.S. of imports. Currently domestic sales are banned as part of an on-going austerity campaign.

Slower growth in UK invisibles forecast

BY JAMES McDONALD

INVISIBLE EXPORTS of the major UK service industries—overseas earnings less expenditure abroad—are expected to show a lower growth rate of between 5 and 7 per cent in 1980 over 1979, with the biggest improvement expected by the banking sector.

The Committee on Invisible Exports estimates in its annual survey of prospects for this year.

At about this time last year the Committee forecast a rise in 1979 of between 5 and 6 per cent for a roughly equivalent

number of sectors. The actual result for the year was a rise of between 9 and 10 per cent.

Most sectors are expected to maintain, if not slightly increase, their market share of world invisible trade. But the survey cautions that its coverage excludes the operations of UK and foreign oil companies whose North Sea activities "are currently imposing an increasing drain on the overall private invisibles surplus."

The major reason cited by almost all respondents in the survey for the rather low pre-

dicted rise in earnings is the worsening world economic recession, which is forecast to feed through to the total demand for services, "which is in turn expected to show little change."

The comparative strength of the pound, even though expected by many to weaken in 1980, is also seen as an inhibiting factor.

Maintenance or expansion of market shares, despite increasing competition, is expected to be achieved through intensified marketing and promotion. Just under half of the predicted rise

in earnings should come from an increase in the value of UK business abroad.

The survey says of the other sectors: inward tourism earnings will show a modest increase.

The UK shipping outlook is uncertain with the slowdown in world trade and higher costs working against the industry. Forecasts for the insurance industry are mixed. Brokers anticipate a substantial rise in the volume of overseas business, but Lloyd's predicts a more modest growth.

Confusion over Iran trade policy

BY SIMON HENDERSON IN TEHRAN

CONSIDERABLE confusion is still reported from the Tehran Bazaar—the country's dominant commercial institution—over the full implications of the first phase of the nationalisation of foreign trade.

Since the announcement two weeks ago, in accordance with the Islamic Constitution, there have been eight days of Persian New Year holidays followed by another two-day holiday this week. Neither the Bazaar or Government offices have been functioning normally in this time.

Fuller reports of the statement by Mr. Reza Sadat, the Commerce Minister, indicate that at

this stage it will only affect four imports—paper and newsprint, jute, textiles and steel.

Trading centres will be set up with representatives of industry. The Bazaar and Government will estimate volumes required and control their prices.

Such a system effectively operates already outside the Bazaar for a range of food imports, including wheat, meat and eggs and iron ore, through such institutions as the Government Trading Corporation of Iran and the Iran Meat Organisation.

The Tehran Bazaar frequently becomes involved here, at a later stage, for its estimated two-thirds stake in the wholesale trade,

and, outside Tehran, almost all the retail outlets.

Reported comments from bazaar merchants and others involved in imports vary between confidence that the system will work, frustration at a further level of bureaucracy or complete exasperation. There is also the feeling that the development is the thin edge of the wedge of further Government involvement, which has already led to the prohibition of a whole series of "luxury imports."

One bazaar described the new regulations as like a jacket which was too tight — it will soon wear through at the elbows.

Wimpey foothold in Malaysia

By David Dodwell in Kuala Lumpur

A NEWLY formed subsidiary of Wimpey, of the UK, and Sime Darby, has signed an interim agreement in Malaysia to advise on the development of housing and highways.

The agreement, reached with the Kedah State Government in north east Malaysia, could lead to construction contracts worth \$200m. It marks a major achievement for Wimpey, which has for years been unable to break into South East Asian markets because of the severe competition, mainly from Japan and South Korea.

The establishments of the subsidiary, Sime Darby Wimpey Technical Services, which was incorporated in Malaysia in January this year, comes at a time when Wimpey is worried by the fall in construction activity in the Middle East. It is hoped that Wimpey's expertise in the construction field combined with Sime Darby's nationalised Malay (Bumiputra) status, will enable the joint venture to capitalise on the construction boom expected in Malaysia over the next decade.

The Malaysian Agreement, signed last week, is the first deal to be completed by Sime Darby Wimpey.

FEFC effort to fight competition

BY WILLIAM HALL, SHIPPING CORRESPONDENT

THE POWERFUL Far East Freight Conference (FEFC) is streamlining its organisation to help combat growing competition from non-conference shipping operators and the Trans-Siberian Railway (TSR).

Last year the FEFC appointed its first full-time chief executive and the London headquarters has now been split into three divisions, each headed by an assistant director.

Speaking at a press conference in London yesterday, Herr

Hans Kruse, chairman of the FEFC, said that in the past the FEFC secretariat had been little more than a post office for its members. Under the new organisation, the full-time staff would play a greater role in the shipping conference's decisions on matters such as pricing.

The conference claims to be the biggest in the world. Last year its 32 members carried 15m tonnes of cargo and earned gross revenues of \$3bn. However, it has recently begun to

suffer increasing competition from outside shipping companies which undercut the FEFC's agreed rates.

Herr Kruse estimated that outside rates had fallen 15 per cent of the total Far Eastern market and undercut rates by as much as 20 per cent. One of the reasons competition was so fierce was overcapacity in the market.

The Trans-Siberian Railway now has more than 10 per cent of the total Far Eastern market.

Bulgaria passes foreign investment law

BY STEPHANIE GRAY

BULGARIA'S long-awaited legislation on foreign investment in high technology and other industries was passed by the State Council last week by the State Council.

Projects will, however, be considered on a case-by-case basis and the average foreign share is likely to be between 40 and 60 per cent.

The legislation is aimed at fostering industrial projects through commercial and service ventures will also be considered.

Mr. Moritz Asa, Bulgaria's commercial counsellor in London announced the decree at a Press conference to promote the 36th International Plovdiv Fair to be held in September.

He said Bulgaria was seeking foreign partners for their expertise in high technology rather than their financial resources.

Industrial joint ventures would cover both Bulgaria's needs and exports to third countries. They would be granted only if companies were prepared to invest for not less than three years.

Mr. Asa said the decree guaranteed foreign participation in the management of joint production as well as security of investment, the right to profit and to transfer capital out of the country. Bulgaria would regulate the use of its resources by foreign companies.

He was "confident" many British companies would take

advantage of the new system which may help boost the very modest trade between Bulgaria and the UK.

Last year, Bulgarian exports to Britain fell to \$23m (£11m) from almost \$29m in 1978. Imports from Britain rose by only \$1m to \$52.3m. By contrast, trade between West Germany and Bulgaria rose 10 per cent with Bulgarian exports at \$164.7m and imports at \$340.7m.

The poor performance by British companies in the last year is underlined by their failure to win any of the large contracts awarded in the fields of mining, transport, chemicals and hydro-electric power.

Mr. Asa said, however, that some progress had been made

recently in negotiations for economic and industrial co-operation with ICI, Cadbury Schweppes and Yardley.

Last year, Bulgaria's national income rose by 7.2 per cent. Industrial production was up 6.6 per cent on 1978 as was labour productivity. Mr. Asa said the stable economic environment consolidated Bulgaria's position as a trade partner: Bulgaria's 1979 foreign trade earnings were 15bn (\$17.4bn).

It was hoped that the new decree and Bulgaria's economic performance will encourage British companies to participate more fully in the Plovdiv Fair. Last year there were only 21 British exhibits out of a total of 4,000.

Brazil's metalworkers begin strike

BY RIK TURNER IN SAO PAULO

THE BRAZILIAN subsidiaries of Volkswagen and General Motors were among major factories hit by a strike started yesterday by Brazil's two most important metalworkers' unions. The two unions in the areas of Santo Andre and Sao Bernardo with a third in Sao Caetano represent 225,000 metalworkers in the so-called ABC industrial zone, South America's largest industrial centre.

This is the second year

running that their annual wage negotiations in March have led to strikes, making them the major event in Brazilian labour relations for the year.

Vehicles represented \$1,09bn of Brazil's \$15.2bn in exports last year. The need to achieve a trade balance and the delicate political liberalisation in Brazil make this year's strike a key event once again.

Employers did not have an

accurate estimate of the number of strikers but reports said few employees entered the factories of Volkswagen's subsidiary, which employs 40,000, or the General Motors plant, which employs 20,000.

The metalworkers are demanding a 15 per cent productivity increase in addition to the usual monthly inflation adjustment all workers in Brazil receive by law. The employers are offering 5 per cent.

Bombs break calm in Salvador

SAN SALVADOR — A spate of night-time bombings in a wealthy section of San Salvador broke nearly 36 hours of tense quiet that followed last weekend's bloodshed in the city's main square.

On Sunday, 31 people died and 145 were hospitalised, according to authorities when an explosion followed by gunfire and more bombings broke up the funeral of murdered Archbishop Oscar Arnulfo Romero.

"The real cause was the

arrival of armed leftists to a huge concentration," St. Jose Antonio Morales Erlich, a junta member, told a news conference. "It could have even been an accident, someone could have dropped a contact bomb, but that is guilt because they came armed."

The junta presented a video tape and several news photos as evidence that the leftists were armed and there were no snipers on buildings on the square.

AP news photographers said two of the newspapers were copies of original prints that disappeared from their hotel rooms and the third photo was an original print of a picture that also had disappeared.

A church statement, signed by visiting foreign church dignitaries, rejected the Government's explanation of the incident and said they had evidence of snipers on buildings on the square.

Transport chaos hits New York

BY DAVID LASCELLES IN NEW YORK

MILLIONS of New Yorkers cycled, walked, jogged, and even sallied to work yesterday after city transport workers began their long-threatened strike over a new pay contract.

But conditions were nothing like as chaotic as expected, partly because the city had ample time to prepare itself and partly because this week coincides with school holidays and both the Jewish Passover and Christian Easter festivals.

The strike was called after last-minute talks lasting until 2 am failed to resolve pay claims by the city's busmen, and train and Underground drivers.

Although the negotiators "stopped the clock" in the early hours in a final bid to avert the strike, the two sides were still so far apart that the negotiations collapsed. By early morning, the last of the buses and trains had stopped running.

The unions are demanding a 12 per cent a year pay increase over two years, plus cost-of-living adjustments and other benefits. The best the city has yet been able to come up with

is 6 per cent, with some changes in working procedures.

The huge gap between these two positions caused transport officials to predict yesterday that the strike could be a long one. The last strike in 1966 lasted 12 days.

The union leaders called their men out in defiance of both a court order barring a strike, and a New York State law which forbids public service employees from withdrawing their labour. However, the city and state authorities were not keen yesterday to aggravate the situation by arresting union officials or calling out the National Guard.

In previous strikes, union leaders have gone to jail, and they seem ready to do the same this time round. Sweeping regulations came into force yesterday to cope with the crisis. In Manhattan, private cars had to have two occupants before they could pass along most roads. Some important streets, like Fifth Avenue, were closed to all but essential traffic.

This forced commuters to

think out ingenious routes to work. Many used their legs. Some even took transport across the Hudson River to New Jersey to catch a still-running subway line which has two spurs reaching out to different parts of Manhattan.

Boats, bicycles, roller skates, and skateboards with miniature engines attached all appeared on the streets, giving the city an almost festive air which was enhanced by some magnificent spring weather.

It was not immediately clear what happens next. With the two sides retreating to their corners after their marathon negotiating bouts, it will probably be some time before talks begin again. But whatever happens, the outlook is gloomy for New Yorkers.

Any settlement above the current offer will only add to the city's transport deficit, hasten fare increases, and set back the time when New York can finally get a grip on its problems. Meanwhile, the strike is costing it an estimated \$140m

SALT II nuclear arms treaty fades into oblivion on Capitol Hill

BY DAVID BUCHAN IN WASHINGTON

THE SALT-II nuclear arms treaty is fast fading into oblivion. U.S. Administration officials say, but their public airing has further increased mistrust of the Russians.

The Administration is clearly in several minds now about SALT-II. Early in March Mr. Carter at a Press conference held out the possibility that he might unilaterally renounce the treaty, if Senate leaders came to the conclusion that that was the best course for the U.S. A day later, the President's aides downplayed this, stressing Mr. Carter's public undertaking to abide by the terms of the unratified treaty for the time being.

A simple glance at the Senate calendar shows the chances for SALT-II ratification this year to be virtually nil, on that count alone. About 60 legislative days remain—important energy legislation is still pending and Mr. Carter's revamping of his anti-inflation strategy has put the budget process behind this year—until October to fight the November general elections.

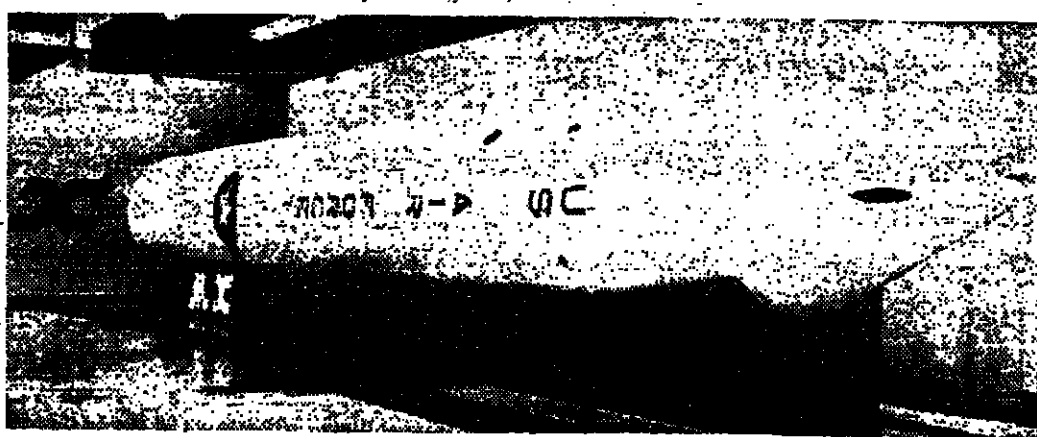
Thirty-four Senators are up for re-election, and most, including pro-SALT heavyweights such as Senators Frank Church and John Culver, seem vastly relieved not to have to cast a vote on the controversial treaty.

These allegations are as yet unproven. U.S. intelligence officials say, but their public airing has further increased mistrust of the Russians.

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MX missiles: The costly missile system needs SALT-II's restraints or the Russians could deploy enough warheads to saturate its 4,500 launching sites planned for Utah and Nevada

A lame-duck Senate could conceivably take up the treaty in mid-November, but debate could easily be filibustered into the new year.

Senate rules require a treaty to be sent back into committee in a new Congress. The presence of new boys in that body would probably entail new hearings in three committees, as last autumn. So, with all else equal, the earliest conceivable date for a passage of SALT-II is late spring 1981.

But by that time the treaty will be nearly two years old,

and at least two key parts of the package would probably need re-negotiation with the Kremlin—a prospect that would fill U.S. officials with dread. "When you put something like this to bed, you want to keep it asleep," commented one high State Department official.

That part of the SALT treaty setting a progressive timetable through 1981 for the reduction of missile launchers, first to 2,400 and then to 2,250, would probably need updating. A time extension on this would be solely a concession to the

Russians, because the U.S. has only just over 2,000 launchers and is thus unaffected by this ceiling.

Likewise it is only the Russians who have an interest in postponing the expiration of the SALT protocol restricting deployment of U.S. Cruise missiles beyond the end of 1981. Washington is going full ahead on building Cruises—last week Boeing Corporation was awarded the first production contract for the air-launched version of the missile—and an extension of the protocol is

MX is specifically permitted under SALT-II. What is now dawning on a lot of people in Washington is that the treaty is essential to MX—for without SALT-II restraints, the Russians could deploy enough warheads to saturate the 4,500 shelters. If they really wanted to.

Of course, MX could be expanded to outrace a Russian build-up. But the present plan is costly enough—\$33bn

rated as politically unacceptable here.

For the moment, SALT hangs in limbo, with Washington waiting uncomfortably for the Kremlin to react. A first stirring from Moscow came last week in an article reported by TASS, saying the Soviet Union could not be expected to stick to the SALT-II terms unless and until the treaty is ratified by the Senate.

Down with the treaty may go the American MX missile system, or at least the form proposed by the Carter Administration last autumn. The MX plan is to shuttle 200 new missiles around 4,500 concrete launching sites in Utah and Nevada, so complicating the task of Russian targets that it could not be wiped out in a surprise attack. It would start replacing the fixed-site Minuteman missile force in the mid-1980s.

MX missiles could conceivably be put into special aircraft able to land virtually anywhere at short notice and blast off their cargo. A more plausible option would be to install MXs on submarines in the U.S. Great Lakes or just off the U.S. sea coasts. The theoretical objection to either of these courses is they would leave the U.S. with no nuclear force on land and rob it of its nuclear "triad."

MX and SALT-II are intertwined closely. But the fair degree of support that still exists for the missile system has not, or not so far, translated into any more Congressional backing for the doomed treaty.

£48m to provide new jobs in Wales

By Anthony Morton, Regional Affairs Editor

A £48m factory-building programme spread over the next two years was launched in Cardiff yesterday by the Welsh Office in conjunction with the Welsh Development Agency to provide jobs for displaced steelworkers at Port Talbot and Llanwern, Newport.

As a result of the proposal by the British Steel Corporation to halve capacity at the two major works, 11,300 steelmen are to be made redundant this summer.

The plan envisages the building of 1.25m sq ft of factory space immediately in and around Port Talbot and Newport, which should provide more than 4,000 jobs.

The agency is also to buy and develop a further 500 acres of land and speed reclamation work on 300 acres. These 800 acres will eventually provide 5m sq ft of factory space and develop work for up to 20,000 people.

Mr. Nicholas Edwards, Secretary of State for Wales, said that the new factories would provide up to half the jobs needed for the redundant steelmen.

"We are also seeking to bring in increased private sector money, especially for the building of more small units. We have had considerable success already, and the decision of Ferranti to open a plant at Newport not only provides 1,040 jobs initially but also proves that it is possible to attract high-technology companies into Wales."

Of the first 1.25m sq ft of factories, nearly 600,000 sq ft will be at Newport and the rest in and around Port Talbot. The Cwmbran Development Corporation, a few miles north of Newport, is also to develop 250,000 sq ft at Llantarnam at a cost of £5.5m.

Mr. Stephen Gray, chairman of the agency, said that "building work on the first factories is due to start in June and units should start becoming available early next year."

Full 85p bid ordered from ex-chairman

BY CHRISTINE MOIR

MR. JIM RAPER, former chairman of Saint Piran, the troubled tin mining and property group, and three overseas companies, Gasco Investments of Hong Kong, Ruffer of Luxembourg and Aerolinas Cordoba of Panama, must make a full bid for St. Piran at 85p, the Take-over Panel ruled yesterday.

Mr. Raper was unavailable for comment on the ruling but Gasco Investments said the company did not immediately agree with it.

Mr. Malcolm Stone, chairman of Saint Piran and also managing director of Gasco, said he would be travelling to Hong Kong on Sunday for a month. He would probably call a board meeting during that time "to see what can be done."

Mr. Stone was not sure whether Gasco "had the capacity to make a bid," a matter which the panel is also still investigating.

Yesterday's 24-page report by the Panel concentrated on the claim first made by a group of Saint Piran shareholders in March last year, that share stakes totalling about 37 per cent of the company and registered in the names of eight overseas companies, were actually controlled by Mr. Raper.

The panel found that

although there was "no direct evidence of the ownership" of the eight companies, "the circumstantial evidence strongly points to their being under the control of Mr. Raper."

"There are too many unexplained coincidences for it to be possible to regard the overseas companies as independent of Mr. Raper and in at least two respects there was a breakdown in the efforts to maintain the illusion of independence," the report says.

Three senior executives of the Panel have spent nine months sifting through thousands of share transfer documents in their attempts to trace the movements of the 34 per cent of Saint Piran which Mr. Raper inherited in 1974 from Faber Merin, a Hong Kong company.

At the time, Mr. Raper was required by the panel to divest himself of sufficient shares to reduce his holding to below 30 per cent. His personal holding is now stated to be only 1,000 shares, although 3.45m shares (29.6 per cent of Saint Piran) are held by Gasco.

The panel concluded that Mr. Raper "never truly divested himself" of the shares but carried out a series of deals with specially created companies in Liberia, Panama, Luxembourg and Hong Kong which

left the final 37 per cent stake still under his control.

The complex web of nominee companies behind which the concert party sheltered has caused the Panel to make a general observation on companies' vulnerability to a quiet build up of control—although in the case of Saint Piran the panel believed that the Board knew all along of the existence of the concert party.

The panel points out that under company law companies can require nominee shareholders to disclose their beneficial ownership. But this legal requirement is all too easily complied with by a simple declaration which does not uncover the ultimate ownership in a complex web of holdings, particularly in foreign lands.

The panel will now wait "for a reasonable time" to see whether the concert party in Saint Piran's case makes an offer. If it does not then the panel will seek further meetings.

Its ultimate sanction in the absence of any co-operation from a concert party which it has ruled should make a bid would be to seek to have its shares disenfranchised. It could also request the Stock Exchange to suspend the company from trading.

N.Ireland industry strategy retained

By Our Belfast Correspondent

THE Government is not to change Northern Ireland's industrial development strategy. This is against the advice of the Northern Ireland Economic Council and the trade union movement.

The region's industrial development structure, which is based on the Commerce Department at Stormont, will be retained. Except for a few minor changes, the present package of industrial incentives will continue.

The direct rule administration in Northern Ireland was under pressure to introduce a single development agency, drawing together all the job creation efforts, along the lines of the Irish Republic's Industrial Development Authority.

Mr. Giles Shaw, Junior Minister responsible for Northern Ireland industry, said yesterday structural changes would require legislation. Its introduction could take 18 months, and would seriously interrupt the present job creation momentum.

The existing organisation was "in no sense a failure," he said. More than 3,000 jobs were promoted in the first three months of the year.

The Government has proposed a consultative forum to bring together the Economic Council and the heads of the Northern Ireland Development Agency, which concentrates largely on public investment in industry; the Local Enterprise Development Unit, which helps small firms; and the Industries Development Advisory Committee, which oversees the efforts of the Commerce Department.

Following its review of incentives, the Government will maintain capital grants towards fixed assets, at rates up to 50 per cent; negotiable employment grants; interest relief grants and attractive factory rents, including rent-free periods of up to five years. It will extend the favourable tax treatment of capital grants.

The financial limit of the Development Agency will be increased from £50m to £75m.

BSC Shotton plant may go to Lonrho

BY ROBIN REEVES, WELSH CORRESPONDENT

THE British Steel Corporation may be forced, reluctantly, to sell its Shotton steel complex to Lonrho to offset its heavy financial losses after the national steel strike.

This was the impression left yesterday after a two-day visit to Shotton by Mr. Derek Norton, chairman of Lonrho's Hadfield subsidiary, to discuss buying the Decade site.

Iron and steelmaking at Shotton has just ended, with the loss of more than 6,400 jobs, leaving intact only the finishing coatings complex—end of the works, which will ultimately employ only 3,300.

Mr. Peter Allen, managing director of BSC's Welsh division, maintained throughout that as BSC's policy stood, the finishing end was not for sale.

At the enormous social price of 7,000 lost jobs, Shotton has got itself square. Coatings is a growth business which we value very highly," he said. However, the hospitality extended to Mr. Norton and a

team of colleagues by BSC over two days, ending with a joint Press conference, suggests a deal is not ruled out, given the right terms.

Furthermore, the Government may force the corporation to sell more assets to help its balance-sheet, which is expected to show a loss of at least £450m this financial year.

Although nobody is prepared to mention a figure, the sale of Shotton would clearly make a major dent in the losses.

Mr. Norton said he would prepare a detailed report for completion in a month, and planned further discussions on it with Mr. Allen and Shotton workforce representatives. He also intended to discuss the possible purchase with the Departments of Trade and Industry.

He repeated that Lonrho was interested in the whole site though he did not rule out a more complex deal with BSC. "A deal means a willing customer and a willing buyer," he said.

Ruling today on leak to TV steel programme

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A CLAIM by Granada Television that in the public interest, journalists should not be compelled to name their sources of information will be ruled on by a High Court judge today.

The court has been asked to force Granada to disclose the name of the person who leaked confidential policy and planning documents of the British Steel Corporation.

The documents were used in a World in Action programme in February. The court was told they had come from someone with "a keen sense of indignation about dealings between BSC and the Government before and during the present strike."

BSC relied on the legal principle that if a person became involved in another's wrongdoing he has a duty to assist the person wronged by disclosing the identity of the wrongdoer.

Granada argued that its use of the documents had been responsible investigative journalism on a matter of public importance. It had promised its source that his identity would

be kept secret. The judge has had to balance these two viewpoints. If Granada wins there will be a fear that no organisation will be free from the risk of employees disclosing confidential information.

If the judge finds for BSC, investigative journalists, might find their contacts reluctant to talk fearing a court might order their identities to be made public, putting their jobs at risk.

An order for the release of £255,000 worth of "black" steel was made by a High Court judge yesterday.

Bishopsgate Steels became the fifth company to apply successfully to the court for delivery of steel held up by the steel strike.

The company complained that Humberside Sea and Land Services had refused to release about 1,890 tons of hot rolled steel sheet in coil belonging to Bishopsgate.

Mr. Justice Boreham ordered Humberside to deliver up the steel by permitting Bishopsgate to collect it during normal working hours.

Chemicals industry prospects 'bleak'

PROSPECTS FOR the UK chemical industry this year are "not bright," according to the latest report in the official publication British Business.

The report says demand for chemicals is "already beginning to slacken." It adds that with a somewhat bleak outlook for the economy generally in 1980, it is expected that chemicals output "may well decline during the year."

The industry had "a difficult year" in 1979 with export volumes going up by only 2 per cent "after growing considerably faster in previous years." Investment in the industry fell by 10 per cent, after rising by 20 per cent in 1978. The Department of Industry believes the downward trend is likely to continue.

Budget favours entrepreneurs

THE BUDGET has given practical recognition to the importance of small businesses, the Confederation of British Industry said yesterday.

Mr. Fiennes Cornwallis, chairman of the CBI's Smaller Firms Council, said Sir Geoffrey Howe, Chancellor, had produced a package of relatively small but imaginative measures to help the small investor and encourage "entrepreneurial spirit."

Design lull

THE DESIGN Council's judging panel on decorative consumer products has only given one award this year "because both the standard and the number of entries were low." The award went to two collections of contract upholstery fabric by Donald Brothers.

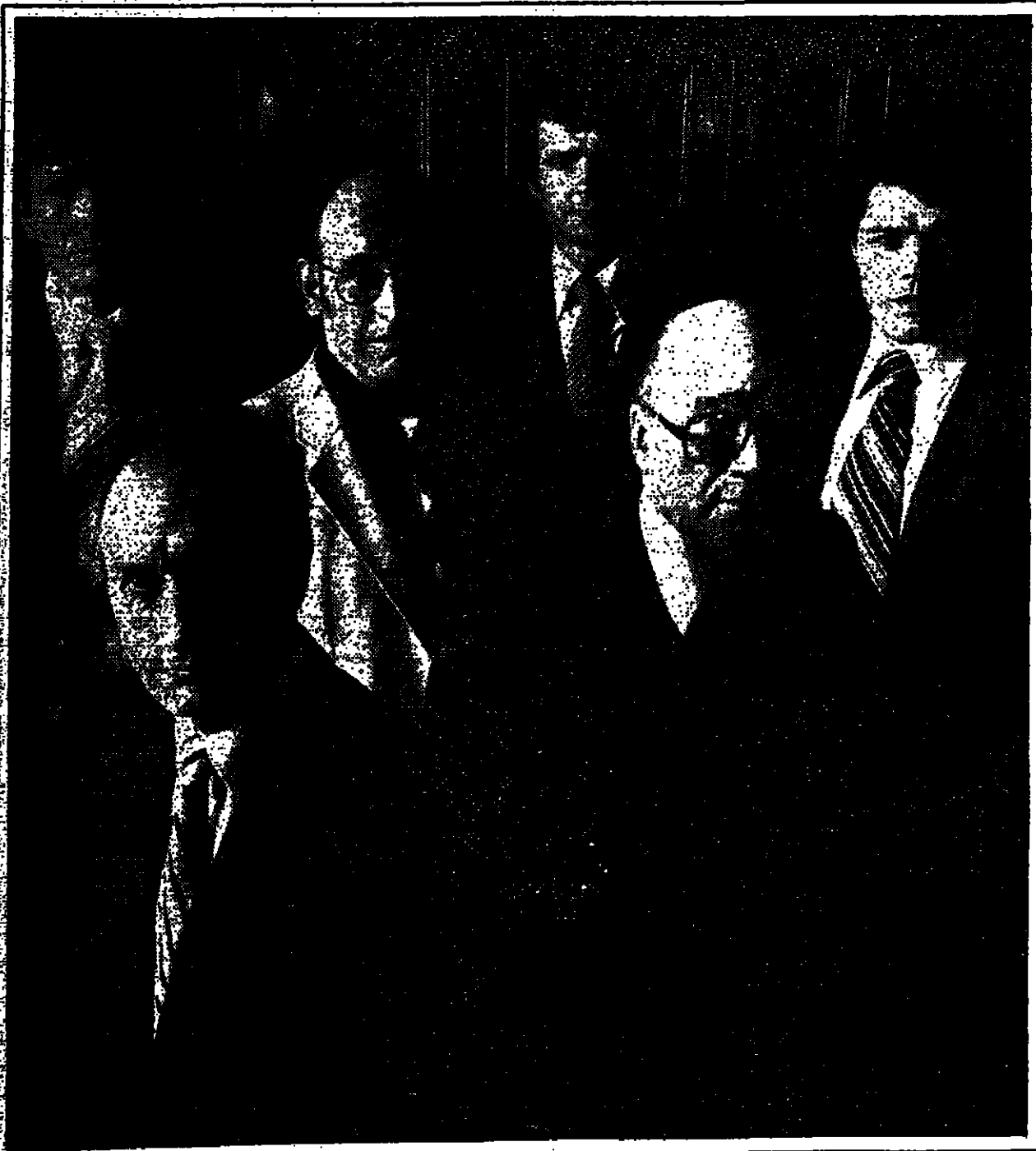
Bright spot

PHILIPS, the Dutch electronics group, has invented an energy-saving electric light bulb which lasts five times as long as a conventional bulb, but consumes

Work on bridge

ROAD WORK on the Severn Bridge starting on Monday, April 14, will mean lane closures and 30 mph speed limits for about two weeks, the Department of Transport has announced.

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UK NEWS

Britannia to buy Boeing 767s

By Michael Donne, Aerospace Correspondent

BRITANNIA AIRWAYS, the big UK holiday charter airline, is to buy the new U.S. Boeing 767 "semi-wide-bodies" jet airliner from 1984 onwards.

The airline will initially buy two Boeing 767s, worth about £50m including spares, for delivery from 1984. Although the airline has not announced any options, it is expected that it will standardise on the Boeing 767 through the 1980s and beyond.

Britannia now has 23 of the smaller Boeing 737 jets in service, with more on order, and it carries around 3m passengers a year on holiday charter flights between the UK and many Continental destinations.

Britannia has 30 per cent of the UK holiday market for air inclusive tours.

Britannia studied several major new types of aircraft before deciding on the 767, including the European A-310 Airbus and the smaller Boeing 757 airliner.

The Britannia decision brings to 150 the number of 767s ordered firmly by 12 airlines. There are another 134 Boeing 767s on option.

Philippine Airlines has ordered two British Aerospace 1-11 twin-engined airliners. The contract is due to be signed today.

● Air Lanka, the airline of Sri Lanka, has ordered two Lockheed Tri-Star airliners, with two more on option, worth about £100m in all. Rolls-Royce's share of this order will be worth about £30m for RB-211 engines and spares throughout the life of the aircraft in service.

Leyland National in £4m transfer plan for Titan

By KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

PRODUCTION OF the Titan double-decker bus is to be transferred to the Leyland National factory at Workington, Cumbria, which is to be expanded at the cost of £4m.

The move will create 315 jobs, 40 of which will be filled from the existing workforce of 475, which means Leyland National will need to recruit 275.

The Titan is currently being produced at the Park Royal plant in North London, which Leyland National is to close in June because it could not agree production targets with the workforce.

Park Royal was employing 630 but this has now been reduced to 400 during the run-out period. It was originally intended that production should be moved to Lowestoft, another plant owned by Bus Manufacturers Holdings,

the joint Leyland Vehicles-National Bus concern.

But 500 skilled workers at Lowestoft objected to the planned recruitment of 300 unskilled people for the project. The Workington workforce is almost entirely semi-skilled and "recruitment is not expected to create difficulties," said Leyland National.

The delay in Titan output has not been well received by London Transport, potentially Leyland National's biggest customer.

LT intends to buy about 2,000 buses between 1981-84 inclusive and has said that if Leyland National can supply Titans it will get part of the business, the other part being supplied by Metropolitan Cammell's Metro bus.

Leyland National said yesterday it was in the final stages of negotiations with LT about Titan orders but obviously it would not have gone ahead with the Workington expansion unless LT was reasonably firmly committed to buying some buses.

Unofficial estimates are that LT could take up to 200 Titans in 1981.

The Workington plant was opened in 1972 and currently makes single-decker buses. Work on a 90,000 sq. ft. extension should be completed late this year and the first Titan should roll off the production line in April 1981.

Output of seven buses a week should be reached by September next year and this may rise according to demand.

Bank gives respite to £2m debtor

By RAYMOND HUGHES, LAW COURTS CORRESPONDENT

WILLIAMS AND GLYN'S Bank agreed in the High Court yesterday not to enforce before April 14 its £1.78m judgment against Mr. Derek Barnes, former chairman and managing director of Northern Developments (Holdings).

The bank consented to Mr. Barnes being given more time to decide whether or not to appeal against the judgment, given last week in a seven-volume, 200,000-word decision by Mr. Justice Gibson.

The extension of a stay of execution of the judgment was agreed on Mr. Barnes's undertaking not, meanwhile, to deal with or dispose of any of his assets or property—save in the ordinary course of living expenses or business—without the bank's written consent, nor

to remove any assets or property out of the country.

Mr. Barnes had asked for the stay to be extended until May 1. His counsel told the judge that, in view of the magnitude of the judgment, the decision whether or not to continue the litigation by appealing was one of great seriousness for Mr. Barnes.

The bank, however, refused to consent at this stage to an adjournment beyond April 14. The judge said that any application by Mr. Barnes for another extension of the stay would have to be made by April 14.

In the action, Mr. Justice Gibson ruled that Williams and Glyn's was entitled to repayment of £1.78m loans to Mr. Barnes. He rejected Mr. Barnes's contentions that the bank had

been guilty of negligence and breach of duty and contract to him and his company, and that the bank was not entitled to repayment on demand of money lent on overdraft.

The judge's award of interest and costs brought Mr. Barnes's liability under the judgment up to about £2m.

If Mr. Barnes appeals, the anxieties in banking circles that were soothed by the judge's extremely comprehensive judgment in Williams and Glyn's favour are bound to be revived.

If the Appeal Court were to overturn the ruling, which involved complex questions about banks' duties and obligations to their customers, the repercussions would be serious and far-reaching.

Lorne Barling sees Lucas-Kienzle's new headquarters opened

Counting on the tachograph

FOR THE next two years, tachographs will be big business in Britain and the major beneficiary is likely to be Lucas-Kienzle, the company which will meet a major share of the essentially artificial demand created by European Community-inspired legislation.

By the end of next year 400,000 existing vehicles and perhaps 100,000 new lorries will be fitted with tachographs under legislation which lays down various deadlines according to the age of vehicles. But the question for Lucas-Kienzle is: What will happen when the boom is over?

The company was formed in 1969 because the two parent companies were looking for each other—Lucas to provide the marketing strength and Kienzle the design and production experience.

But the expected boom was a long time coming after the phrase "spy in the cab" appeared. Political controversy raged, the European Court became involved, the EEC referendum was held, and Mrs. Barbara Castle blew hot and cold on the idea. In the meantime Lucas-Kienzle became impatient.

Supply

Its turnover was initially small, but doubled annually as a result of orders from a few "enlightened" fleet operators and for installations as original equipment on lorries being exported to Europe. Manufacture of tachographs in the UK was discussed, but it was decided that Kienzle would supply the UK market from its plant at Villigen, its manufacturing centre for the large European market.

Yesterday Lucas-Kienzle, 60 per cent owned by Lucas and 40 per cent by Kienzle, officially opened its new headquarters near Birmingham for importing, marketing, rebuilding and servicing the range of tachographs

it offers. It includes training facilities for fitters employed by its agents, and for those learning how to interpret charts, the discs on which information is recorded.

Mr. Godfrey Messervy, chairman of Lucas Industries, said at the opening that, after earlier objections to the tachograph in this country, there was now broad acceptance of its value.

"We set out ten years ago, despite the uncertainty at that time, to establish a leading position in the tachograph market in Britain," he said. The company now faced a massive task, but was determined to make the most of the opportunity.

The average cost of installing a tachograph is now £250 including labour, the instrument itself, and related equipment, and the UK market could be worth as much as £100m during the next two years.

Competition has therefore been fierce, with a race developing among three companies to set up national chains of fitting and calibrating stations. Lucas-Kienzle now has 120 Department of Transport-approved stations and has trained 400 fitters.

The two other companies are Smiths Industries, the electrical and motor components company, and Veeder-Root, the American-owned concern based in Dundee, which is the only one of the three to make tachographs in the UK. The instruments sold by Smiths are made in France by Gtaco.

Although Lucas-Kienzle clearly benefits from the long experience of Kienzle in vehicle monitoring, since it also produces tax metres and other recording equipment, EEC tachograph regulations mean the three companies have fundamentally similar products, each with its own refinements.

Marketing has therefore been critical, with each company stressing the suitability of its product for a particular pur-

pose, and its ease of use, in view of the probably unjustified worries about driver co-operation.

Although the tracing or recording on a tachograph chart can be quickly interpreted by a trained person on a basic level, for instance to establish whether a vehicle has been driven economically, detailed analysis is more difficult and is the area in which future marketing battles will be fought.

Mr. Fred Kay, director and general manager of Lucas-Kienzle since he moved from Lucas CAV in 1969, likes to describe a lorry as a factory on wheels which should be monitored like another factory.

Protected

He admits that without legislation sales would be nothing like what they are today—generating a turnover for his company of £1m a month—and believes the time has come for management to look at the benefits of tachographs as adaptable instruments to improve transport fleet performance, rather than complain about installation costs and down-time.

He is also optimistic about the response of lorry drivers, who, he suggests, are far less opposed to tachographs when they understand they can benefit from improved productivity, and can even be protected from false accusations of speeding allegations or accidents.

A West Germany study suggests that monitoring drivers, as tachographs can do, can detect and help correct bad driving habits which cause high fuel consumption and wear and tear of vehicles.

Although managers may spot this as an obvious point of conflict, with drivers refusing to be told how to do their job, Mr. Kay is more sanguine. Drivers should be aware, he suggests, that the tachograph is merely a neutral recorder of fact which may indicate room

for improvement. But more important, Mr. Kay believes, management must learn how to use the information the tachograph provides to help the driver improve his performance. He suggests that present cumbersome paper reporting systems fail on two counts, first on basic accuracy, and second because assumptions may be made about company performance on that inaccurate information.

Lucas-Kienzle is the only company offering computer analysis of tachograph-derived data, although Smiths Industries may provide a similar service some day, and this appears to be the growth area of the industry.

Lucas-Kienzle is staking much of its future on the premise that companies will recognise the potential of tachographs and increase their use voluntarily, going beyond legal requirements, and so creating demand for new products.

For example, payroll calculations can be achieved through a computer reading of drivers' hours recorded by a tachograph, and the company is now making more space available on recording charts for additional information. Tests are being carried out to record fuel consumption, gear changes, peak engine speed, tail gate lifts and other functions.

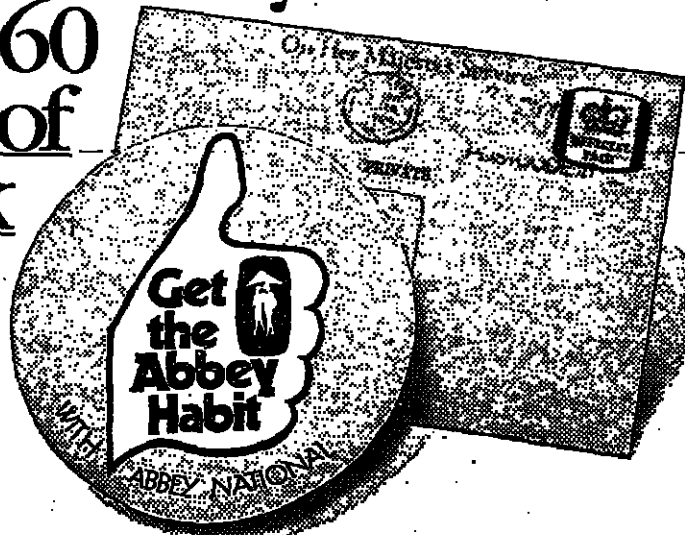
There is a considerable overlap between Lucas Industries and Kienzle on monitoring technology, which may become significant in the longer term, particularly on fuel systems, the area where there is likely to be most demand for improved efficiency.

Overall, higher operating costs should lead to a greater demand for monitoring systems now that the tachograph provides the basic instrument on which to build. That, at least, is what Lucas-Kienzle is betting on.

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UK NEWS

Estimates review system is 'a farce,' says all-party report

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE present system of Parliamentary examination of spending estimates is "a farce" and should be changed, according to a report from an all-party committee of MPs published yesterday.

The Treasury and Civil Service Committee says present arrangements for considering supplementary estimates are unsatisfactory since they do not allow either the opportunity or the time for adequate scrutiny.

Supplementary estimates are requested by the Government for extra expenditure during the course of a financial year. In addition to the main spending proposals in the spring.

The issue has arisen now following protests last month by a number of MPs, including two committee members, at the usual procedure by which supplementary estimates are approved on the nod. The House approved spring supplementary estimates totalling £837m, of which £70m related to breaches of cash limits.

Consequently, the committee has recommended the setting up of a Procedure Committee to review the whole financial procedures of the House.

Meanwhile, it recommends that estimates should be

referred to the appropriate departmentally-related Select Committee, each of which would decide in how much detail it wished to examine the estimates referred to it.

"Practices may vary from year to year: what is important is that the opportunity should exist for a thorough examination of the estimates by the House through its committees," says the report.

"At present, in practice, there is none. Select Committees must be made aware sufficiently early of the supplementary estimates requested by any department for which it is responsible.

"Select Committees should report briefly to the House following their considerations of the supplementary estimates.

"Even under present procedures such reports could well lead the opposition to choose the relevant estimates for discussion on the supply day concerned."

The committee also argues that the present minimum of seven days between presentation of supplementary estimates and their consideration by the House is insufficient and should be extended to 14 days. Considera-

tion should also be given to a minimum of 21 days, it says.

The report concludes that its recommendations would "begin the process of improving the system and give the House a better opportunity for examining expenditure and controlling it."

The committee's report mentions, but does not reach a conclusion about, proposals to change Parliamentary procedures to allow committees to recommend a reduction in estimates which would be debated on the floor of the House.

The inquiry is part of the committee's drive to improve the way Treasury activities and expenditure are monitored and to ensure that Parliament is better informed.

At a Press conference yesterday, Mr. Edward du Cann, the committee's chairman, said that after an inquiry into the Budget and the public spending White Paper starting today, the committee will undertake a major study of monetary policy from May onwards.

This will look first at the recent Green Paper on methods of monetary control before

moving onto the general subject of monetary policy.

The Bank of England's relations with the Treasury are likely to be examined.

Among other subjects which are being or will be examined by the committee are the employment of former civil servants, Civil Service staff numbers, the impact of taxation, certain aspects of the Finance Bill, and the recent Green Paper on the role of the Comptroller and Auditor General.

The committee yesterday also confirmed the appointment of Prof. Harold Rose of Barclays Bank to assist the inquiry into the recent Green Paper on monetary control and the appointment of Professors William Butler of Bristol University, David Hendry of the London School of Economics and Marcus Miller of Warwick University to advise on the theory, testing and design of economic policy in the UK, particularly monetary policy.

* First Special Report from the Treasury and Civil Service Committee, *Consideration of Spring Supplementary Estimates*, House of Commons Paper 503, price £1.00.

Pressure on motor component groups

By Kenneth Gooding, Motor Industry Correspondent

UK MOTOR component groups face increasing difficulties in the replacement market, which currently accounts for about 20 per cent of their sales, according to stockbrokers Laing and Cruckshank.

They point out that UK manufacturers' production of cars for export (with the exception of 1975) fallen every year since 1969, when 824,000 cars were destined for export, equivalent to 14.5 per cent of the seven major Western European markets.

By last year, this had fallen to only 392,000, equivalent to only 4.9 per cent of the market. (Actual Western European market penetration was lower than this, as the figures for exports include all countries in addition to the seven Laing and Cruckshank considered).

In 1969, car production for export was almost equal to the output for the home market. However, during 1979, the volume of exports fell to less than 60 per cent of the number produced for the home market.

Laing and Cruckshank suggest that this year might be the most difficult for the motor industry since the war. "It is difficult to see how the industry can survive 1980 without a major structural change," says analyst Mr. Robert Barber.

Component manufacturers will be adversely affected by a 12 per cent decline in UK car production and by the 6 per cent fall in commercial vehicle output forecast by the brokers.

"UK motor components industry," Laing and Cruckshank, the Stock Exchange, London, EC2N 1HA. £25.

Unit trusts pleased by tax concession

BY TIM DICKSON

MANAGERS of unit trust groups reacted with unconcealed delight to yesterday's news that income from their UK fixed-interest investments was to be taxed more lightly in future.

The Unit Trust Association, which has long campaigned for such a change, was bitterly disappointed by the absence of any statement in last week's Budget.

Mr. Cholmeley Messer, chairman of the association, summed up the feelings of many of his members: "It couldn't be more exciting. The freedom of unit trust funds from capital gains tax was very welcome but this is certainly of longer-term significance. It has been a long hard road and we are very satisfied."

The surprise development, to be formally introduced in a clause to the Finance Bill, was announced in the Commons late on Monday by Mr. Nigel Lawson, Financial Secretary to the Treasury. It is understood that it will take effect from yesterday.

Income of authorised unit trusts dealing only in UK fixed-interest securities will be taxed at 30 per cent rate of standard income tax.

This compares with 52 per cent rate of corporation tax until now.

Smaller unit trust groups have been liable at the lower rate of 42 per cent, reduced to 40 per cent in the Budget.

The major significance of the concession for the unit trust movement is that funds specialising in management of gilt-edged securities become viable.

Unit trusts for many years have wanted to tap what they consider a widespread demand for this type of expertise. "I think that over the years

we are going to sell a lot of units in this type of fund," Mr. Messer said. "This is certainly what has happened in other countries where mutual funds have been allowed to sell Government debt."

Until this week, individuals investing directly in gilts enjoyed two major advantages over those going through a unit trust fixed interest fund.

Those who held gilts for a year and a day did not pay capital gains tax, whereas authorised unit trusts paid the tax at 10 per cent.

This obviously affected authorised gilt funds buying and selling within a year. Secondly, while the income earned by unit trusts from gilts was taxed at 52 or 42 per cent individuals paid only at their own marginal rates of income tax.

Corporate sector fears

BY OUR ECONOMICS CORRESPONDENT

THE POSSIBLE Achilles heel of the Government's economic policy over the next 12 months is the extremely large load on the corporate sector, stockbrokers W. Greenwell argue in a new post-Budget monetary bulletin.

The firm, among the leading monetary commentators in the City, "warmly welcomes" the new medium-term financial strategy but criticises the size and type of public spending cuts.

In particular, the bulletin notes that capital expenditure has been cut disproportionately. This will lead to a loss of orders for private industry while higher prices by nationalised

The change announced by Mr. Lawson effectively brings income from fixed-interest securities (industrial debentures, local authority bonds, bank deposits, as well as gilts) into line with Ordinary shares.

An important point emphasised by the Inland Revenue is that the concession will apply only to funds which specialise exclusively in UK fixed interest securities. The gilt-edged income of trust portfolios which are, for example, partly weighted towards equities will continue to pay corporation tax.

Some unit trusts are disappointed and say that this may encourage unnecessary proliferation of new unit trusts.

A small number of fixed interest funds have recently been launched in anticipation of the Government's latest concession.

Construction output down by 2% last year

BY ANDREW TAYLOR

CONSTRUCTION output in Great Britain fell by 2 per cent last year, according to provisional figures issued by the Department of Environment.

The worst affected sector was public housing, where new work output fell by 17 per cent in 1979, reflecting further Government spending cuts on housing.

The public housing outlook is even bleaker this year. According to the recent expenditure white paper, total Government spending on housing in 1980-81 is to fall from £5.37bn to £4.7bn at November, 1979 prices.

Private housing output also fell by 7 per cent last year. Work on only 139,000 private homes was started in 1979, compared with 157,000 in 1978.

Public non-housing output also suffered last year as a result of continued spending cuts. New work output in this sector fell by 9 per cent in 1979.

The only sector to show any improvement in new work last year was private industrial, where output rose by 1 per cent. Against this, new private commercial work fell by 3 per cent.

The biggest improvement came in housing repair and maintenance, where output rose by 12 per cent. Public non-housing repair maintenance was 1 per cent higher in 1979, and private non-housing repair and maintenance rose by 10 per cent.

Repair and maintenance
Housing
Public other work
Private other work

Total

Output by contractors (including estimates of unrecorded output by small firms and self-employed workers) and output by public sector direct labour departments classified to construction in the 1968 Standard Industrial Classification. † Constant price figures have been revised in the light of more complete information on the movement of construction prices.

1976 1977 1978 1979†

New housing 108.6 100.8 104.5 92.9

For public sector 110.6 100.4 94.4 78.3

For private sector 106.6 100.9 114.1 106.6

Other new work 95.4 94.6 99.1 94.3

For public sector 99.1 94.6 90.9 82.4

For private sector 91.6 98.7 107.5 104.5

For private industrial 95.4 110.4 117.7 119.0

For private commercial 88.0 88.0 98.3 95.1

Total new work 100.4 98.2 101.2 93.8

Repair and maintenance 94.2 47.8 113.2 122.1

Housing 92.3 96.2 111.5 124.5

Public other work 94.7 95.4 106.8 108.1

Private other work 99.4 106.3 133.1 146.9

Total 98.5 98.1 104.8 102.3

An Easter 'nest-egg' for MHA



Have a care for the eighties

MHA launches this Easter its project to build 20 flats (doubles and singles) at Penrith in Cumbria. A fine dwelling in a 4-acre site will provide this exciting Sheltered Housing development with staff accommodation and community facilities at a cost of £400,000. Work will commence in the spring of 1981 providing money is available.

A generous Easter donation for Penrith will give a good start to MHA's campaign to double its caring capacity by 1990.

Please send your gift to the Rt. Hon. George Thomas MP, "Penrith Project" Methodist Homes for the Aged, Dept. FT, Freepost, London SW1P 3BH.

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The Canon NP200 is so far advanced it makes other copiers seem primitive.

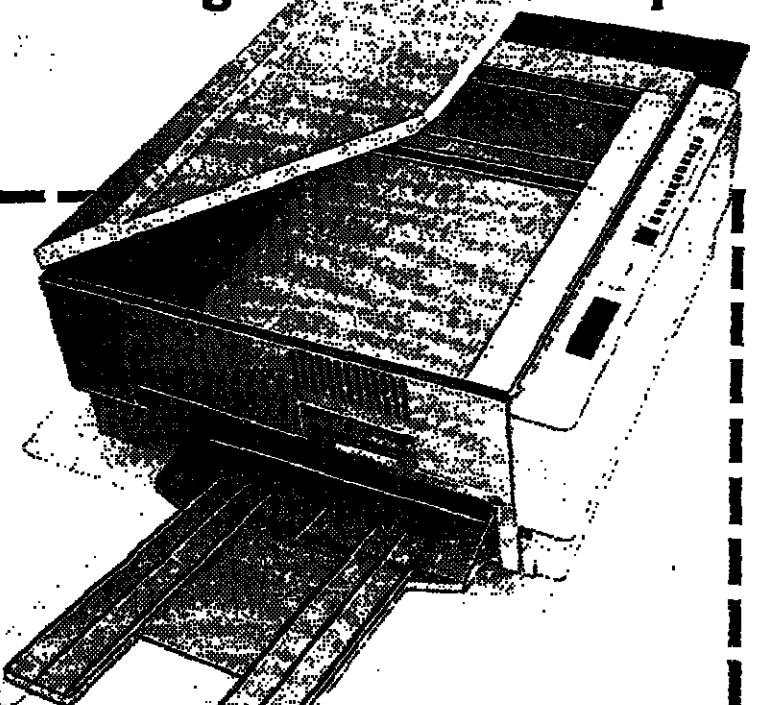


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EDITED BY ARTHUR BENNETT AND TED SCHOETERS

Economic metal spraying system

Resulting coatings are tough, dense and applied at high spray rate per unit of energy consumed. This is due to the higher heat of an electric arc and the more efficient heat transfer to the metal being sprayed, compared with a combustion gas flame, it is stated.

Maximum power requirements are 6 kW, 3 phase supply which will give actual coverage of 770 sq ft of aluminium, 808 sq ft of bronze, 644 sq ft of babbitt, 490 sq ft of alloy steels or 700 sq ft of zinc an hour per one thou' of coating thickness. No change to the

Once dried, to give consistent water/cement ratios, the material is available in bulk, or bagged in 25 kilo weatherproof sealed paper sacks.

Looks after business routines

Thus for example, the system will automatically reduce the raw materials file in a manufacturing concern and increase the finished goods stock file whenever a job is completed. It will calculate the stock and work in progress and post this auto-

Available from Fully Integrated Business Systems of Birmingham, the system is based on a microcomputer with 64k of

The system is supplied with the services of a management consultant who will sit down with a company's staff for four weeks to train them, at no extra cost. If

More from the company at 30, Spring Lane, Erdington, Birmingham, B24 9BX (021-382 8414).

Machines are designated 1701 and 1801, the latter having semi-automatic document feeder in which the original is placed upon and removed from the platen automatically—one of the more time consuming chores of making copies. Both machines have a 1-to-99 copy selector, a two digit copy quantity display, a recall and cancel key and an interrupt key which enables a long run of copying to be interrupted to allow an alternative run to be made—something with just a few copies to make—without automatic return to the original job.

A further version of this plain paper machine, the 1601, has fully-automatic paper feed with a vertical 20 bin sorter on the output allowing 20 collated sets to be made.

More from 155 Gower Street, London WC1E 6BJ (01 388 7271).

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It is stated that over 2,000 standard combinations are available in 23 diameters, 12 widths and eight types of impeller. There are also the options of single or double inlet, three classes of construction and

The company, a subsidiary of The General Electric Company, is manufacturing the fans at a new factory in Rugby. Details of the latest products can be obtained from its head office: BRI, Boughton Road, Rugby. Warwick CV21 1BU (0788 78416).

ITY

in air

Available in a number of helmet, blouse and facepiece forms, the positive pressure system is driven from a unit worn round the waist. This consists essentially of a DC motor driving a fan which draws air in at up to 180 litres/min through filters and delivers it through

total weight is under four pounds. Pre-filters remove coarse dust particles, prolonging the life of the main filters. These can be of standard type having an efficiency of 98 per cent against 0.5 microns, or high efficiency units which are 99.95 per cent efficient. Gas cartridge filters can also be supplied to give protection against fumes of low toxicity while still removing dust to the 95 per cent level.

More from Martindale Protec
tion, Neasden Lane, London
NW10 1RN (01-450 8561).

AN EARLY warning and high level alarm system to meet forthcoming European requirements for the detection of dangerous chemicals are moved on waterways has been developed by John Davis and Son (Derby).

The equipment operates by differentiating between the ambient pressure in the cargo tank and that exerted within a probe by the cargo at predetermined depths of immersion. When a first, early warning level is reached a low frequency alarm sounds for three seconds and a visual indicator rotates to show that the tank is rotating danger level.

Because of the dangerous nature of the cargo, the company has taken special steps in terms of safety. For example, there is no possibility of the fluid feeding back towards the equipment when the tank is full. In addition, extensive use is made of stainless steel.

More from the company at
Alfreton Road, Derby DE2 4AF
(0332 41671).

Programmes the bends

A WIDE variety of metal folding programs for material up to 9.5 mm (3/8 inch) can be keyed into a memory in the latest Keetona Hydroform machine, yielding increased productivity, reduced handling and a reduction of work in progress.

manual operation for the back gauge position, continuous repeat for a particular fold, or repeat of a continuous cycle of folds held in the memory.

Basic mechanics of the machine entails the descent of a stout blade across the width of the sheet, the latter being pressed into a V-slot of adjustable included angle, to form the fold. The technique allows consecutive folds to form boxes with the use of a swan-neck section blade where necessary.

Once all the relevant data for a particular component has been entered at the console, or has been called up from its memory, the sheet to be formed is positioned manually to locate it with the programmed back gauge position. The machine cycle is then initiated by foot controlled switches. On completion of a bend the machine automatically resets to the parameters for the next fold for that component and the procedure is repeated.

Latest machine, called Hydroform CNC, has an entry console from which most of the operations of the machine can be controlled. Sequence programming is achieved simply by entering data on a keyboard, including material thickness, the angle of the bottom "V" and the position of the backgauge against which the material is located and the top beam limits. The procedure is far simpler and more convenient than tape preparation.

Both bottom forming wings simultaneously sweep through an arc to form the material to a pre-set angle. The open height of the top beam can be pre-set to give sufficient clearance to allow the formed material to be re-positioned or withdrawn.

A mode switch on the same panel allows data entry, manual operation for the bending angle.

Heating coils for China

WORK ON its largest ever order for heating and cooling coils has been started by Holyhead Engineering Co. of Bilton, W. Midlands.

About 50 coils, totalling over one-third of a mile in length, are being manufactured in titanium, stainless steel and mild steel. They form part of a contract worth nearly £1m placed by Dowty Mining Equipment with Holyhead's fellow group member, Canning Engineering for the supply of two automatic electroplating lines to the People's Republic of China.

fabricated by Holyhead, will provide heating, cooling and agitation for various solutions, swills and rinses used in the plating processes.

Titanium tube, 1-in. outside diameter with 3-in wall, has been specified mainly for steam heating and water cooling of nickel solutions. The material has the high level of corrosion resistance required and its strength-to-weight ratio allows the use of thin wall tubing to give maximum heat transfer. The stainless steel and mild steel coils are for heating and agitation of other process liquids.



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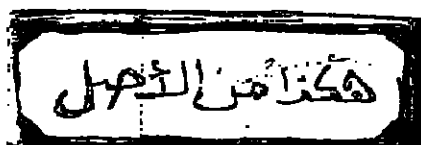
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UK NEWS = LABOUR

Threat of national docks strike to back Liverpool Port recedes

BY PAULINE CLARK, LABOUR STAFF

THE PROSPECTS of a national docks strike in support of the 13 day stoppage in the port of Liverpool appeared to have been reversed last night after first indications of a steel strike settlement.

Dockers at a Transport and General Workers Union delegate conference yesterday morning gave almost unanimous backing to a national strike in support of Liverpool. But national union leaders later recommended locally negotiated settlement of the Merseyside dispute. After steel leaders accepted a 16 per cent settlement.

A mass meeting of Liverpool dockers will take place today. Local shop stewards will report on the delegate conference decision and the message from national union leaders that official support for blacking steel ceases with the settlement of the steel strike.

The TGWU made clear last night, however, that the strike in Liverpool over steel handling will remain officially until a local solution is found.

About 8,000 dockers and port workers went on strike in support of their colleagues.

Meetings between employers and local dockers' leaders in the past few days have failed to find a solution. The dispute is over 100 dockers who were told they would not be paid if they refused to finish loading a Russian ship with a steel consignment.

Employers in Liverpool said no date had been set for a further meeting with strikers' leaders, but the weekend talks were regarded as "adjoined" rather than ended.

Earlier this week union leaders in Liverpool rejected the port employers' plea that the ban on handling steel cargoes should be lifted.

bringin gthe port to a standstill and leaving about 25 ships trapped in the docks.

The commission recommends a modification of the Post Office monopoly. Special or express delivery services, offering same-day delivery of urgent letters or parcels should be legislated and encouraged, it says.

The price difference between first and second-class stamps should be increased. About four-fifths of mail posted in inner London is business traffic, and the proportion of first-class mail nearly half the total. An increase in the cost of a first-class stamp would help mail in inner London, the report suggests.

Organisations should be allowed to take bulk letters and packets outside London and then transfer them to the national postal system. This would take strain off London sorting offices as the centre of the UK communications network.

Publication of the report follows a six-month Commission investigation after a marked deterioration in letter deliveries last summer. The report found that the service in the London WC and W postal districts was particularly bad, and that outward air mail was

MONOPOLIES AND MERGERS COMMISSION REPORT ON LONDON POST

Business efficiency hit by delays

BY GARETH GRIFFITHS

PUBLIC CRITICISM of postal services in inner London was fully justified, a Monopolies and Mergers Commission report said yesterday. Business efficiency had been impaired by delay.

The commission recommends a modification of the Post Office monopoly. Special or express delivery services, offering same-day delivery of urgent letters or parcels should be legislated and encouraged, it says.

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Publication of the report follows a six-month Commission investigation after a marked deterioration in letter deliveries last summer. The report found that the service in the London WC and W postal districts was particularly bad, and that outward air mail was

handled even more poorly than first-class inland mail.

Postal traffic in the inner London area averaged between 23m and 31m items per week in 1978-1979, a 30 per cent decline since 1967-1968. The Post Office forecasts a decline of 30-35 per cent on 1979 levels by 1985-1986. Letter traffic nationally has declined much more slowly.

The report says the decline in standards has impeded social and business communications far beyond inner London, and was therefore against the public interest.

Government financial targets offer little control over Post Office services, the commission argues, because of the monopoly's power to put up prices. There was a need for additional performance targets, particularly on productivity.

Information in the Post Office annual report does not provide "an adequate basis for informed public debate." There is a need for better performance monitoring, the report says.

It suggests a timetable for the introduction of its proposed changes for the Government and corporation to act upon. Among its recommendations were the following:

● **Management:** The commission was scathing about the standard of Post Office management in London. Short-term

considerations played too important a role in management strategy, with long-term policy of being over-ridden by short-term expediency.

Post Office management lacked expertise at all levels in key areas including accountancy, personnel and property management. The commission recommended direct recruitment of specialists into the corporation, with a shift in the style of management.

● **Labour relations:** The Union of Post Office Workers is blamed for a predominantly negative attitude and influence. The UPW and the Post Office share responsibility for deterioration, according to the report.

The absence of a formal disputes procedure made services more vulnerable to disputes, and local unofficial deals had distorted collective bargaining over procedures at work.

● **Productivity:** Productivity in inner London fell by between 20 and 25 per cent between 1968 and 1979. New methods of measuring productivity should be introduced and a return to the 1968 levels achieved by 1983.

Previous bonus schemes have failed, the commission argues, because they were not sufficiently geared to work related payments. There should be a reduction in "excessive" levels of overtime worked in sorting

offices. Part-time and casual labour should be employed to bring about changes in handling.

The recruitment of younger staff should be encouraged with a more flexible approach on shifts, to prevent junior staff always having the most unpleasant duties. Promotion to supervisory grades should be based more on merit, and less on seniority, with union representatives associated in the process.

● **Mechanisation:** Plans for mechanised packet sorting, particularly in inner London, are urgently needed. The Post Office embarked on mechanisation without fully recognising its implications.

There should be a greater commitment to research and development. Post Office vehicles should be updated and maintenance facilities improved.

● **Accountability:** The report is concerned at the lack of progress yielded by previous investigations into the postal service. The information given in the annual report is inadequate; consumer groups such as the Post Users' National Council should be consulted on the material to be included. Department of Industry and Treasury targets and monitoring do nothing to help improve productivity, because of their concern with financial targets.

Civil servants seek details on pay offer

BY PHILIP BASSETT, LABOUR STAFF

CIVIL SERVICE union officials will press the Government today for details on how it intends to stage this year's pay offer to 600,000 white-collar civil servants, given increases for the main administrative grades of 18 to 19.8 per cent.

The two largest unions, the Civil and Public Services Association and the Society of Civil and Public Servants, who represent the bulk of administrative staff and led last year's damaging industrial action in the service, has now all but

settled for this round. The CPSA has only relatively minor points of negotiation to clear up, and the SCPS sent a circular to its members yesterday laying out the terms of the offer for its grades.

Details of the increases for the main administrative grades, more than 40 per cent of the total white-collar numbers, are set out below. The rises average 18.1 per cent.

The CPSA and SCPS executives are expected to approve the offer in the next week. The executive of the First Division

Association is likely to agree to it today.

The new rates are the product of negotiations between the unions and the Civil Service Department, but it is not yet clear when staff will receive the full amounts.

General secretaries of all the unions involved instructed officials of the unions' umbrella body, the National Staff Side, yesterday to see department officials today to obtain details of how the Government proposes to stage the payment.

The unions hope to be in a

position to consider the staging arrangements at the full staff side meeting tomorrow.

Support is growing in the unions for the CPSA idea of postponing the due settlement date from April 1 to June or July, in order that the increase be paid out in one amount.

Mr. Tony Christopher, general secretary of the Inland Revenue Staff Federation, whose grades follow the CPSA and SCPS on pay, also sees it as the best way round the unions' dislike of staging.

CIVIL SERVICE PAY

| | Present maximum rate | New maximum rate | Cash increase | Percentage increase |
|--------------------------|----------------------|------------------|---------------|---------------------|
| Principal | £11,750 | £14,000 | £2,250 | 19.1 |
| Senior executive officer | £9,900 | £10,500 | £600 | 17.9 |
| Higher executive officer | £7,250 | £8,555 | £1,305 | 18.0 |
| Executive officer | £5,700 | £6,745 | £1,045 | 18.3 |
| Chief officer | £4,000 | £4,740 | £740 | 18.5 |
| Clerical assistant | £60.68 | £72.70 | £12.02 | 19.8 |

NHS unions to step up action over pay

BY PAULINE CLARK

HEALTH SERVICE union leaders yesterday requested an urgent meeting with Mr. Patrick Jenkin, Health Secretary, as plans were laid for the first major programme of industrial action by Britain's radiographers, physiotherapists and other para-medical staff.

NALGO, the National and Local Government Officers' Association, one of the leading unions representing the 37,000 health service staff, said selective one-week stoppages would start from April 28 over the findings of the recent Clegg commission on pay comparability for the group.

A joint decision by all unions representing the group had also been made to stage one-day strikes on April 10 and April 19. This follows a day of protest organised last Thursday by A.S.T.S., the Association of Scientific, Technical and Managerial Staffs which was

strongly supported by radiographers.

Mr. Steve Johnson, NALGO's health service national officer, had asked Mr. Jenkin for a reconsideration of the commission's decision that a 15.4 per cent day increase should be tied to a 37.1-hour week.

The problem mainly affects occupational therapists, physiotherapists and other groups currently on a 36-hour week, radiographers on a 35-hour week and speech therapists on a 33-hour week.

The union said there were health reasons for not increasing the radiographers' working week, while there would be practical difficulties for staff operating an appointments system.

A radiographer at the top of the pay scale would lose £450 a year under the proposals, a top rate physiotherapist £416 and a top rate speech therapist as much as £387, the union said.

Print craftsmen claim successes for campaign

BY OUR LABOUR STAFF

LEADERS OF the printing craftsmen's national industrial action claimed yesterday that some 1,300 general print and provincial newspaper companies had accepted a union proposal for an interim pay settlement against the advice of national employers' representatives.

The National Graphical Association said that as a result the companies, employing 10,500 of its members, 20 per cent of the workers involved, had been exempted from selective industrial action.

The British Printing Industries Federation said last night that the number of its members that had yielded to the NGA's demands was under 50.

It added that the union appeared to have included non-

federation companies and those whose local arrangement came near to the union's demands. The size of the companies, it said, appeared small, many with less than 10 NGA employees.

Action in support of an £80 minimum earnings level and a shorter working week from this month has hit companies represented by the Newspaper Society and the BPIF since last week.

The union sent its own proposals for an interim deal while the dispute over a national pay agreement continued but the employers' representatives have taken a firm stand over their £75 minimum earnings level offer and proposals for a 37.1-hour week by 1982.

Backing for nuclear plan

BY ALAN PIKE, LABOUR CORRESPONDENT

THE Electrical Power Engineers Association yesterday cautiously approved the Government decision to build a pressurised water reactor power station.

The association's professional members have first-hand knowledge of the nuclear power industry.

However, the union's conference in Llandudno felt it would be wise for everyone to wait until the Nuclear Installations Inspectorate had issued a report on the safety case for a British pressurised water reactor before firm positions were taken up for

or against such a station being constructed.

The pressurised water reactor was the system involved in the U.S. Harrisburg accident last year.

The union's executive is to review issues raised by the proposed development of a pressurised water reactor nuclear station and will report to next year's conference. With these reservations, delegates welcomed Government backing for a steady ordering programme over the next 10 years.

G&MWU backs protest

THE executive of General and Municipal Workers Union yesterday urged its members to stop work for a day as part of the TUC's day of action on May 14 in protest against Government policies. It wants stoppages for the whole day, or part of the day "where appropriate."

But any action must be

subject to union procedure, involve union officials and be supported by members concerned, the executive said.

Safety and emergency services must be fully covered and, where possible, action must be taken alongside other unions at the place of work involved.



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UK NEWS—PARLIAMENT and POLITICS

Callaghan moves to halt conference

By Elinor Goodman, Lobby Staff

A MAJOR row looks like breaking out in the Labour Party over the proposed one-day conference to co-ordinate the fight against the Government's industrial policies.

An emergency meeting of Labour's national executive committee is to be held next Wednesday to reconsider the idea of a conference, which was agreed by the executive only last Wednesday by a vote of 22:1.

Mr. James Callaghan, the party leader, is apparently trying to kill off the idea of an emergency conference altogether on the ground that it could result in the party being rail-roaded into endorsing the policies of the Left. Instead, he is arguing that a national rally—which would have no power to formulate policy—would be more appropriate.

A number of the major unions are also opposed to the idea of a special conference. But left-wingers on the executive will argue strongly that it must go ahead and that all Mr. Callaghan is trying to do is run away from the issues, in the hope that by the party's annual conference in October, the moderates will have increased their strength in the union delegations.

Some members of the executive had already pencilled in a date of May 31 for the conference.

When party officers met Mr. Callaghan yesterday he argued that this was far too soon.

The row could break the fragile peace which seemed to have settled over the party as its commission of inquiry into party structure began work.

Tapping tightly controlled Industry faces 'hard year' Whitelaw tells House

BY IVOR OWEN

ASSURANCES BY Mr. William Whitelaw, the Home Secretary, that telephone tapping and the interception of mail "continues to be tightly controlled," seemed to satisfy most MPs in the Commons yesterday.

His announcement that a senior judge will be appointed to undertake a continuing independent check that the established purposes and procedures are observed in all cases where telephone conversations are monitored or letters intercepted was given a general welcome.

But Mr. Anthony Wedgwood Benn (Lab, Bristol South East) challenged the Government's decision not to introduce legislation providing new statutory safeguards.

There was also a cry of disbelief from the Opposition benches when Mr. Whitelaw insisted that no MP's telephone had been tapped since the undertaking given by Sir Harold Wilson, when Prime Minister, in 1966.

Mr. Whitelaw told the House that the study of the implications of the judgment made by Sir Robert Megarry, in a case brought against the Metropolitan Police Commissioner in March of last year, had been completed.

The Government had also made a thorough review of the procedures and conditions which, since the report by Lord Birkett and a committee of Privy Counsellors in 1957, had been the basis on which telephone tapping and the interception of mail had been conducted.

The Home Secretary reported that over the years there had been minor changes of practice but in all essentials the principles and procedures laid down by the Birkett Report continued to be observed, including the fact that interception could take place only on the personal warrant of the Secretary of State.

The study, like the Birkett Report, had covered interception on behalf of the Police, Customs and Excise and the Security Service.

Mr. Whitelaw stated: "The interception of communications, whether by the opening and reading of letters, or by recording and listening to telephone communications, is an interference with the freedom of the individual in a democratic society."

"Nonetheless, when carried out by the properly constituted authorities, it is justified if its aims and consequences help to protect the law-abiding citizen from the threats of crime and violence and the fabric of democracy from the menaces of espionage, terrorism and subversion."

Mr. Whitelaw said he hoped that figures published in a White Paper would remove suspicions aroused by allegations that telephone tapping was now practised on a vastly wider scale than at the time when the Birkett Committee reported in 1957.

"There has been a modest overall increase in the total number of warrants signed and a change in the balance between telephone and letter interception which reflects the greatly increased use of the telephone since 1957."

"But, given the very considerable growth in serious crime, and in particular the development of the terrorist threat during the intervening years, I believe that the figures demonstrate that the use of interception continues to be tightly controlled."

Mr. Whitelaw recalled that Sir Robert Megarry had found that interception undertaken on behalf of the police under the warrant of the Secretary of State was not illegal. Therefore there was no need for legislation to make any authorised interception lawful.

He assured the House that the judges' suggestion that consideration should be given to embodying the procedures and conditions governing the use of interception had been considered with great care.

Explaining why the Government had decided against legislation, he stressed that the interception of communications was, by definition, a practice that depended for its effectiveness and value upon being carried out in secret. It could not therefore be subject to the normal processes of Parliamentary control.

Mr. Whitelaw pointed out that if the power to intercept were to be regulated by statute, then the courts would have power to inquire into the matter and to do so, if not publicly, then at least in the presence of the complainant.

This must surely limit the use of interception as a tool of investigation.

The Home Secretary promised that Parliament would be informed of any findings of a general nature and of any changes that were made in the arrangements.

Richard Evans, Lobby Editor, writes: A Government White Paper published shortly before Mr. Whitelaw's statement disclosed that the number of warrants for post and telephone interception authorised by the Home Secretary has increased from 238 in 1958 to 436 last year, peaking at 561 in 1975. In Scotland they rose from three in 1967 to 56 last year.

The document makes it clear that the Government has no intention of disclosing figures for tapping on a regular basis and "for obvious reasons of security" it was not sensible to give examples of the successful use of warrants.

"The interception of communications in Great Britain" SO. 11.

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

AN EXTREMELY gloomy picture of the short-term prospects for business and industry was painted last night by Sir Keith Joseph, the Industry Secretary, when he opened the last day of the Budget debate in the Commons.

But he finished his speech on a slightly more optimistic note when he declared: "Difficult conditions are on the way but the Budget offers a coherent framework for rational hope."

The Government's determination to stick to its programme of monetary containment meant a difficult year or more for the companies' sector.

"Present estimates all suggest the squeeze on liquidity could be broadly comparable in severity to that experienced in 1974-75," he warned.

Trading conditions in the short term would worsen and foreign competition would continue to be strong at home and overseas. Interest rates were unlikely to be substantially reduced for some time.

"The result will be that profit margins—already dangerously low in real terms—will be squeezed, and many firms will face serious cash flow problems."

Manufacturing companies might be even worse hit than the generality. Many such companies were already cutting

back on their investment and many would have to run down stocks thus creating difficulties in the companies which supplied them.

"With real profits so low, manufacturing companies will have very little, if any, fat to cushion them from this year's difficult conditions."

Bluntly, he added: "Against this forecast, there is very little the Government can do to help. We cannot simply reflate the economy."

"Nor will interest rates come down until steps to bring money supply under control have had their full effect. Any other policy would defeat the very strategy which is essential for our recovery and economic viability."

Keith said that the remedy lay in the hands of the companies who needed in their own interest to realise the situation facing them. In 1974-75 they had woken up to the problems far too late, but there was greater awareness today. Nevertheless, there were still a large number of companies that did not recognise the cash squeeze that lay ahead.

Every board of directors should be looking at its cash flow forecast. These would often make distressing reading.

But Sir Keith also emphasised that there were some reasons for optimism in the present situation. Many companies were doing very well, and there was much expansion and many new starts. There was a very well-run and healthy service industry. We were very nearly creating as many new jobs as we were losing.

Mr. Denis Healey, Labour Shadow Chancellor, intervened to ask Sir Keith to clarify the Government's policy towards the Sterling exchange rate.

Sir Keith told him: "I recognise the exchange rate, like interest rates, responds to market supply and demand. We cannot predict it and if we try to influence it we sacrifice all our other priorities."

"It would be idle for me to have a view about the optimum exchange rate since governments should not try and control the exchange rate. The exchange rate, to the extent to which it is relatively high, places a burden upon our competitiveness but reduces our inflation."

Continuing his advice to businessmen in current circumstances, Sir Keith said that management must convince their work forces of the desperate need to contain unit labour costs. The survival of jobs and the survival of whole companies depended on being competitive in price and non-price terms.

No task was more important during coming months than increased understanding by the work force of being competitive and the lesson that for wage bargaining and for keeping unit costs steady it was not reduced.

Leading the Labour attack, Mr. John Silkin, Opposition industry spokesman, said that the Budget revealed the gulf that now lay between the two major parties.

For the Government, the first priority was financial gain and the quantity of profit.

"The Budget paves the way for a massive and inexorable growth in unemployment,"

"The Government, he argued, did not consider this of prime importance. It was complacent about the destruction of Britain's basic industries."

"For the first time since the war, a Tory government is expressing what the Tories have always instinctively believed—that poverty and unemployment is a small price to pay provided the few can profit," he said.

Next year's unemployment would pass the 2m mark and these people would be out of work for years.

He accused the Government of neglecting the growing industrial difficulties in Scotland, South Wales and the north. It had shown a blinkered refusal to apply resources to the real needs of the people.

PM denies 'buying off' steel strike

BY IVOR OWEN

IN AN angry clash with Mr. Michael Foot, the Deputy Labour leader, in the Commons yesterday, the Prime Minister denied that the appointment of the Lever inquiry amounted to "buying off" the steel strike.

Amid Opposition cheers, Mr. Foot maintained that but for the Prime Minister, such an inquiry could have been appointed before Christmas and the strike averted.

"Your obstinacy in this matter has cost the country hundreds of millions of pounds," he declared.

The Prime Minister retorted that in Opposition Mr. Foot had only one reply to a strike—"and that is to buy it off."

This was a remedy, she added, which lasted only until the next strike.

Mr. Foot immediately countered by asking whether the Lever inquiry had been an exercise in buying off a strike.

The Prime Minister answered: "I fear this was arbitration."

Waving aside Labour jeers, Mrs. Thatcher contended that arbitration had been included in an agreement made with one

of the unions and could have been used many weeks earlier.

Arbitration had been refused even though the British Steel Corporation had been ready to accept it.

To further Labour cheers, Mr. Foot insisted: "You are the person who refused to have an inquiry. You are the person who blocked the door to any intervention."

"When are you going to take your responsibility in these matters?"

Mrs. Thatcher replied: "I must correct you. You know full well that that is not true."

She said it was known to the House that BSC would have been prepared to accept arbitration

or mediation some time ago. More time had been needed to secure the agreement of the unions.

When Mr. Foot shook his head the Prime Minister tapped: "You know that is so and that there is no point in persisting in your denial."

In earlier exchanges Mrs. Thatcher commented that the lack of support which the strikers had secured from their workers.

She hoped that there would be an early resumption of work so that BSC could recover some of the lost orders by producing steel of the right quality at the right time and at the right price.

CBI 'will monitor' Competition Bill

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

WARNING that the Confederation of British Industry would closely monitor the Government's Competition Bill was given yesterday by Sir John Methven, director general of the CBI.

Sir John told a special CBI conference on the implications of the new Bill, which is due to become law tomorrow that there were many unanswered questions about the new law because of the imprecise definition of exactly what business behaviour it was trying to curb.

The new legislation gives the Office of Fair Trading wide powers to investigate anti-competitive practice which it believes may inhibit or distort trade. The OFT is then to refer the company and its alleged anti-competitive practice to the Monopolies and Mergers Commission for a special six month investigation to determine if the practice is against the public interest. The Trade Secretary then has extensive powers to force the company to end its anti-competitive behaviour.

Sir John said yesterday that the CBI would ask any of its members involved with the OFT's investigations to report

back on how the procedures operated. Based on this monitoring, the CBI would later discuss with the OFT any possible problems arising from the new law.

But Sir John also made clear that the CBI was not questioning the right of the Government to try to improve competition in industry. However, the CBI's view was that existing powers were sufficient to achieve this.

Sir John also warned of the "panopoly of powers" which would be invested in the director general of Fair Trading under the new law. The Competition Bill copies other legislation in giving the power to the director general rather than to the Office of Fair Trading as a whole. However, it is the OFT's officials who will actually carry out the investigations.

But Mr. Gordon Borrie, director general of Fair Trading, told the conference that he had "no intention of releasing, like some later-day Genghis Khan, a golden horde of officials to ravage British industry in an attempt to achieve some meaningless target." He said the "investigation of anti-competitive practices is a new and difficult area

Campaign to save energy

By Ray Dafter, Energy Editor

THE GOVERNMENT is increasing its budget on energy conservation advertising and publicity by £1m to £25m this year, Mr. John Moore, Parliamentary Under Secretary for Energy, said yesterday.

He was defending the Government's energy conservation strategy. Recent rumours that the Energy Department was about to minimise its information services were "entirely unfounded," he said.

● COUNCIL HOMES: Only a very small percentage of Southwark council tenants will be in a position to take advantage of the Government's council homes right to buy legislation, local councilors told MPs yesterday.

Councilors and housing officials from the London borough were giving evidence before a Commons select on council house sales. Mr. John O'Grady, leader of the Labour-controlled council, said that difficult technical and financial problems would arise over the sale of council flats and maisonettes in the borough.

Complaints on block grant plan

BY ROBIN PAULEY

THE GOVERNMENT is now touring around the local authorities looking for help to bale it out of the problems of the proposed new system of rate support grant. Mr. Roy Hattersley, Opposition Environment Spokesman, said yesterday.

Mr. Hattersley, in the standing committee considering the Local Government Planning and Land Bill, was objecting to the way the Government was handling the legislation.

He complained that members were being asked to vote on a clause authorising the introduction of the controversial new block grant system of rate support before the Government had even decided on how the plan would be operated.

"This is a phantom clause which will be passed because of the dumb acquiescence of the majority (that is Government side) although there is every possibility that this clause will not be in the Act," he said.

The Government had asked the local authority associations for constructive amendments to the plan. They had already offered an alternative plan, which had been rejected, and had tabled a number of other amendments, said Mr. Hattersley.

The argument about the lack of substance of the most fundamental clause in the financial section of the Bill arose because of some leaked documents which showed various possible alternative methods of operating the block grant scheme.

Mr. Hattersley complained that the committees were being asked to vote on a subject which the Government had not yet made up its mind about and before it had decided whether the leaked documents showing the alternative possibilities were also to be made available to members.

"We are discussing a blank page because the Government does not know what it wants," he said.

The Bill had been handled with "extraordinary incompetence" by the Government, which was now looking to local authorities to bale it out.

Mr. Hattersley challenged Mr. Tom King, Local Government Minister, to guarantee that the block grant clause, if approved, would not disappear to be replaced by a new government amendment at report stage in the Commons. At the end of the morning session no such guarantee had been obtained.

The Government invited the Tory-controlled local authority associations—which have been united in their opposition to block grant—to suggest further amendments to provide safeguards against their fears about the implications of the scheme without altering the principle. So far, the associations have

not tabled any more amendments through either Opposition or Government members of the committee.

At the same time, the unity of the associations is becoming strained. At a meeting to discuss further action against block grant last week, the Association of Metropolitan Authorities voted narrowly to replace a motion to maintain a united front in "opposing" the Bill with one saying a united front should be maintained in "securing appropriate amendments" to the Bill. For the first time since the introduction of the Bill, Tory and Labour members of the AMA were in disagreement.

Mr. King said it was a total distortion to describe the block grant clause as a phantom clause. There was no question of abandoning the principles of the offer of considering amendments concerned only the question of further safeguards to the feared implications of the system.

He said the problem of whether or not to release documents to the committee would be considered during the afternoon at a meeting with local authority officers, a comment which did not help to persuade the opposition that a vote in the morning was in order.

The argument progressed the Government's hopes of completing the section of the Bill's rate support grant before Easter diminished.

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| Highlights from the Consolidated Annual Accounts DM billion | | |
|---|---------|--------|
| | 1979 | 1978 |
| Total Assets | 100.299 | 88.009 |
| Total Deposits | | |
| and Borrowed Funds | 95.955 | 84.143 |
| Total Lending | 68.093 | 57.627 |
| Capital and Reserves | 2.744 | 2.370 |

For further information please contact Commerzbank AG, Public Relations Dept., P.O. Box 2534, D-6000 Frankfurt/Main, Tel.: (0611) 1362-1, Telex: 411246, West Germany.

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مصرف التجارة

FINANCIAL TIMES SURVEY

Wednesday April 2 1980

REPROGRAPHICS

The reprographics market is expected to grow during the next decade, with plain paper copiers taking a dominant share and duplicators in decline. The field is led by Xerox, which is holding its own against strong competition, especially from the Japanese.

Mature market forging ahead

By John Lloyd

THE COPIER market in advanced economies is a mature one. Though even now only one quarter of the nearly 1m offices in the UK possess a copier, almost all medium and large bureaucracies do, and their effect and influence have become pervasive. The 1980s should see continuing growth in the copier market—at least in terms of value though no doubt accounts of the paperless office will continue to be given while the companies reap large rewards.

In unit terms the markets in many European countries may be expected to flatten, and fall slightly as we approach the mid-1980s. However, there are movements within the copier market which show sharper rises and falls. In general, plain paper (indirect electrostatic) copiers will continue their growth in popularity, as will high speed copiers. By 1985, it is estimated that plain paper copiers will take 60 per cent of

the market by value, and 75 per cent of the market by unit sales. In coated paper, the older, wet toner technology is likely to continue its decline—from around 4 per cent of the market in 1975 to 1 per cent in 1985—while the dry toner type may hold on to its market more successfully.

What has been the effect of the growth in copier population which the charts show? In simple terms, it has been to increase the amount of routine documentation and information available to all: workers, managers and customers. The boldest statements on the effects of a wide diffusion of reprographic machines, especially plain paper copiers, have indicated that they have largely destroyed secrecy: a series of highly publicised investigations, many in the U.S., have drawn attention to the ease with which original documents may be copied in their entirety, and passed on to those for whom they were not originally intended.

Less dramatically, it might be said that the copier has pushed much information further down the line—partly "democratised" it, if you will—by making the circulation of information instantaneous rather than circular over time. The importance of the technique may be appreciated when compared with an earlier technology, the stencil duplicator.

The duplicator relies on the cutting of a stencil, which is then clamped on a drum and prints a number of copies by means of ink being forced through the cut stencil under pressure from a roller. While a large number of good quality copies could be made in this way (and still are), the key difference is that an original

stencil must be cut: it is essentially a simplified, adapted printing technique, not a copying one. The step change represented by the copier is that it works from existing documents already printed or written; it does not require them to be reproduced, hence its attractiveness, its rapid growth and its increasing ubiquity.

The undisputed leader, both in terms of original and continuing technical innovation, and still in market share, is the Xerox Corporation of the U.S. and its overseas part-subsiary, Rank Xerox (part-owned with the UK Rank Organisation). A short account of Xerox/Rank Xerox appears elsewhere in this survey. Here it should be noted that it has developed astonishingly rapidly since its courageous backing of the xerographic process after the war (in face of considerable scepticism) and has, in the 70s, begun to reap the problems of size—Government concern over its near-monopoly status on the one hand, and increasing competition, largely from Japanese manufacturers, on the other.

Still dropping

There are signs now that it has beaten back at least some of the competition which certainly hurt it in the mid-seventies, though its relative share of the market, at least in some products, will probably continue to drop.

The rest of the market is complex, with marketing companies selling—often under their own names—copiers made by manufacturers who also often sell under their names. In brief, the major Japanese manufacturers are now Ricoh—marketed by Savin in the U.S.—and a number of companies

FORECAST MARKETS FOR COPIERS IN EUROPE

| Product group | Units | | | | | |
|--|---------|---------|---------|---------|---------|---------|
| | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 |
| (Coated paper) Dual spectrum | 6,210 | 5,310 | 4,580 | 3,880 | 3,220 | 2,490 |
| Direct electrostatic—wet toner | 35,740 | 28,880 | 23,320 | 18,960 | 13,180 | 8,380 |
| Direct electrostatic—dry toner | 12,860 | 15,260 | 18,800 | 22,600 | 24,640 | 25,790 |
| Electrographic | 3,840 | 4,670 | 5,760 | 6,450 | 6,970 | 7,280 |
| (Plain paper) Indirect electrostatic—dry toner | 115,530 | 125,050 | 133,100 | 137,390 | 138,120 | 136,990 |
| Indirect electrostatic—wet toner | 15,020 | 21,760 | 28,040 | 32,960 | 35,970 | 38,010 |
| High speed | 7,000 | 7,910 | 9,240 | 10,450 | 11,560 | 12,350 |
| Special | 840 | 940 | 1,050 | 1,140 | 1,310 | 1,410 |
| TOTAL | 197,640 | 209,780 | 223,990 | 233,830 | 234,970 | 232,800 |

Source: Macintosh Consultants

elsewhere—Canon, Konishiroku (marketed by Mitsubishi and others), Copyer, Toshiba and Sharp. Other companies include IBM (a growing force, having entered the market in 1970), Agfa Gevaert and (though these two are strongest in duplicators), Gestetner and Roneo Vickers (recently acquired by the French company CIT Alcatel). Océ continues as a growing force, especially in the European market.

Other significant forces in the market with various types of reprographic equipment are A. B. Dick (now part of the UK General Electric Company's empire, though still based in the U.S.), 3M, Pitney Bowes, Kalle Infotec, Rex Rotary, and Eastman Kodak. It may be expected that the manufacture and marketing of copiers will continue to be a

complex picture, as companies in the office equipment market seek to acquire a copier range to flesh out their systems strategy, without acquiring a manufacturing base.

Determination

As the tale of Xerox/Rank Xerox shows, the market can be entered by companies with enough determination to survive. However, though the tale of Xerox is one of huge growth from small beginnings, most of those companies who can expect to stay in the market are already large, were large when they entered (IBM is the extreme example), or, if small, must confine themselves to a small part of the market, as specialist copiers.

The market is characterised by very aggressive pricing, both

in terms of outright sale, and in leasing and renting. IBM, for instance, is reckoned to be willing to sustain losses on its low volume copiers for some years simply to gain market share; the Japanese are (as usual) also said to be employing the same tactics. The acquisition of a customer base is absolutely paramount in such an industry.

Further, only those companies which are large enough to acquire such a base can then offer a service network which can cope with the frequent breakdowns from which all copiers appear to suffer, and compete with Xerox/Rank Xerox's network.

"Competing" in this sense is relative: the network available to Xerox/Rank Xerox is unlikely to be matched in most countries: Rank Xerox UK managers like to point out that their sales and maintenance force is active in North Wales and the Highlands of Scotland where few of their competitors are to be seen, a classic case of a private corporation employing arguments generally used by public service corporations.

Still, it is in the large cities where the real business is, and there even comparatively small companies, or overseas companies with a small base, can compete and offer roughly equivalent service. It is likely, as we shall see later when we examine issues of new technology, that the progressive introduction of microelectronic technology into copiers will increase their reliability and cut down on the need for maintenance.

The greatest growth in the market has been, and continues to be, at the desk-top, low volume end of the market.

Growth is greater here because it is the industry's way of expanding its type of customer, bringing in the small business/shop/small organisation. Here, coated paper copiers still have something of an edge on price and convenience, though that is eroding and as the organisation wishes to grow and possibly to produce more prestigious copies, it is likely to trade up to plain paper copiers.

Protection

Here, naturally, those companies with a range of coated and plain paper copiers will win out, since they can easily effect the customer's transition: thus many manufacturers are protecting their coated paper range by taking on plain paper copiers. In coated paper, the development of the "dry toner" type some five years ago was a useful way of protecting their market share and offering their customers a relatively cheap, but better quality and more reliable copier. A further development, around the same time, was the electrographic or dielectric copier, which uses a cheaper form of coated paper and produces a copy close to plain paper types.

The weapons, then, are copy quality, speed, reliability and special features, coupled with size at the low end of the market. The techniques are now well known, and while Xerox still has the edge in innovation, it no longer has the monopoly or anything like it. Like that other U.S. high technology company (and its competitor) IBM it must keep a careful watch on its competitors (a rather more careful watch than IBM, since it lacks some of its advantages): but it is close to

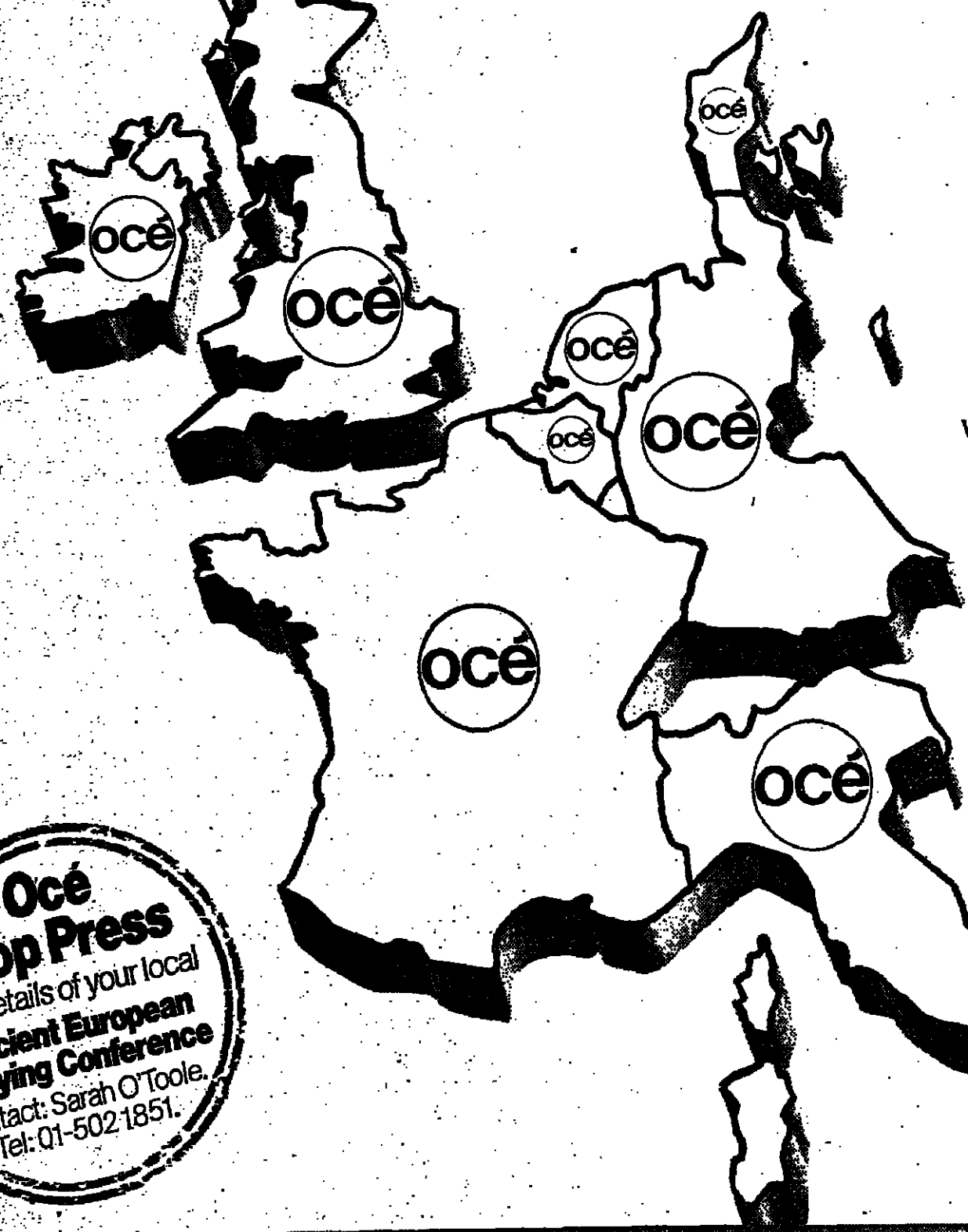
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inconceivable that the company could lose its dominant position in the world market: it is expected to keep better than 60 per cent this year.

The concept of copiers in the developing world of office automation, has stimulated much speculation, and again, Xerox/Rank Xerox is examining the possibilities. As a study by A. D. Little, the U.S. consultants, shows, it is likely that Xerox/Rank Xerox will be the only copying company which will develop an "office of the future" strategy using copiers as its starting point—though others, as for example GEC/A.B. Dick will have reprographic equipment as an important part of their armouries (the acquisition of Roneo Vickers by CIT Alcatel is a case in point here).

Copying, it may be expected, will be increasingly integrated into text reproduction communication—though it is certain that stand-alone copiers, especially small ones, will be around for years yet.

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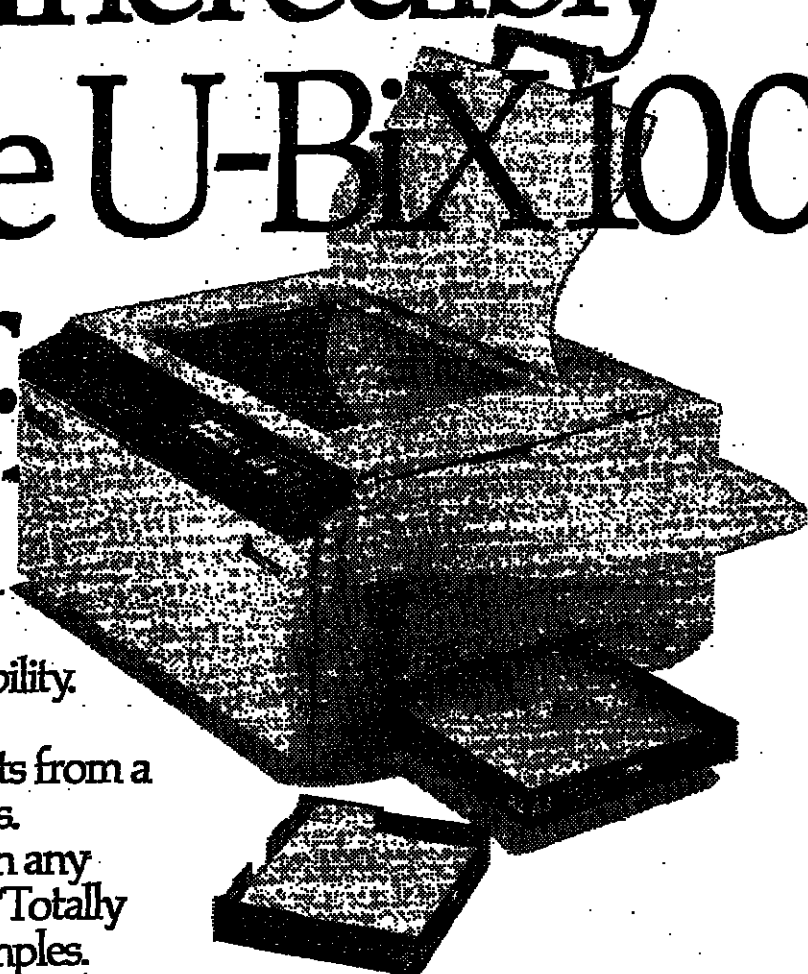
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MITSUBISHI U-BiX
High technology in the office.

EVERY MAJOR electronic/office equipment company believes its strategy must be dictated, at least in part, by considerations generically known as "office of the future," or "office automation." What is it, what does it mean for the copier and its industry and should we take it seriously?

The office of the future may be defined thus: it is the assumption that much clerical and managerial work, which is largely concerned with transmitting or enhancing information, will be in future digitally encoded on keyboards, stored on computer files, transmitted through phone lines from terminal to terminal and viewed on telecreens, or printed on high-speed printers.

Thus the present day typewriters, whether manual, electric or electronic, will be progressively replaced by telecreens and keyboards and word processors, while paper will be replaced (in time, it is assumed) by a long time by electronic digits and filing cabinets and files by computer memories. In an even longer time, voice recognition techniques will be developed enough to allow the development of machines which will receive dictation then transcribe it into text, or store it.

In short, office automation is the same process as occurred in the industrial sphere—and is still occurring, in little-regarded waves. Plant automation was placing at industrial workers' disposal large amounts of capital equipment which raised their productivity immensely. They routinely use machinery worth thousands, at times millions of pounds. Office workers, by contrast, are usually entrusted with machinery worth little more than £100.

This capitalisation of the office worker means that the big companies who wish to address the market, and the smaller ones who wish to claim a modest slice of it, must think hard about their future strategy. For the larger ones, it almost always means acquiring expertise and businesses in areas where they have previously been weak, or simply absent, to be able to offer their customers complete systems, or at least to protect their prime products.

Big expansion

So IBM, the computer manufacturer, has expanded greatly into telecommunications: so I.T.T., the telecommunications manufacturer (among other things) has taken on enormous computer expertise to make—not computers—but computerised equipment like computerised office switchboards. Thus the General Electric Company (GEC) has acquired the U.S. reprographics company A. B. Dick to give it strengths it largely lacked: thus Philips, the Dutch electronics giant, has reorganised its four British companies into one Business Systems Division.

A recent A. D. Little study, "The Emergent Real World of Office Automation," describes the phenomenon thus: "The traditional office products relate to the functional needs of an office, but typically are not systems oriented. Successful office automation products must blend functional product capabilities with information systems technology to achieve a result acceptable to office personnel. For each of the classes of manufacturer, this obviously leads to new approaches for product design, manufacture and service, as well as for marketing, sales and customer support... it is also apparent to us that, given the dynamic nature of the products and the concomitant needs for appropriate marketing and customer service skills, the early 1980s will be a period of high acquisition and merger activity."

more quickly and efficiently. The net effect is, or should be, a sharp reduction in maintenance costs, which are rising rapidly.

The introduction of logic into copiers take us a stage further, which is explored in an accompanying article in this survey on the intelligent copier. Briefly, the potential it suggests is of allowing the copier to be taken into a communications/computer network.

At the other end of the scale, the chip has been introduced into low volume copiers—the U.S. company Nashua is soon to unveil one such—and even into stencil duplicators.

Effect of dust

In the less dramatic areas, work on replacing the selenium drum, which is used as a photoconductor, with a seamless belt has meant the introduction of large, high volume machines with significantly higher speeds. Xerox, which pioneered the process, does not yet regard it as one which should necessarily be pervasive throughout its range, though it may in time.

technology usually moves faster than predicted, but no-one really knows.

In a paper on office automation delivered to the 1979 conference of the Industrial Market Research Organisation at Wadham College, Oxford, John King, director of the office electronics division of Macintosh Consultants, separates out four stages in the development of "full" office automation: the stages of initiation, expansion, formalisation and maturity.

Initiation, says Mr. King, is the stage when the user sees the benefits of new systems and begins to acquire it: expansion is obviously the period when, after initial suspicion, the systems are accepted and extended; the period of formalisation sees "a growing awareness of the possibilities inherent in automating the presently discrete tasks... whereas during the first two phases, the equipment was only applied to the routine and mostly structured activities, during the third phase the concept and capabilities appropriate to mechanising and partially automating the less-structured activities will be realised."

Delegation

The final phase is that in which "managers at all levels of the organisation will have the opportunity to delegate aspects of their work, not to subordinates, but to automated systems." In this phase "further increases in expenditure will be justified more by the changing circumstances of the user organisation than the ongoing rush of systems development."

Mr. King believes that the UK is presently in the first, or initiatory phase of office automation, while the U.S. is in the second, expansionary period.

For the UK, he predicts that phase two will begin this year and become widespread in three or four years; phase three should begin by the mid 1980s and become widespread by 1987. "By that date the first automated systems should begin

to appear, but their general use is not foreseen until perhaps 1992, owing to the very significant investments of effort needed for their generation. It follows that there will be between 12 and 15 years of evolution before the full effects of office automation will be felt."

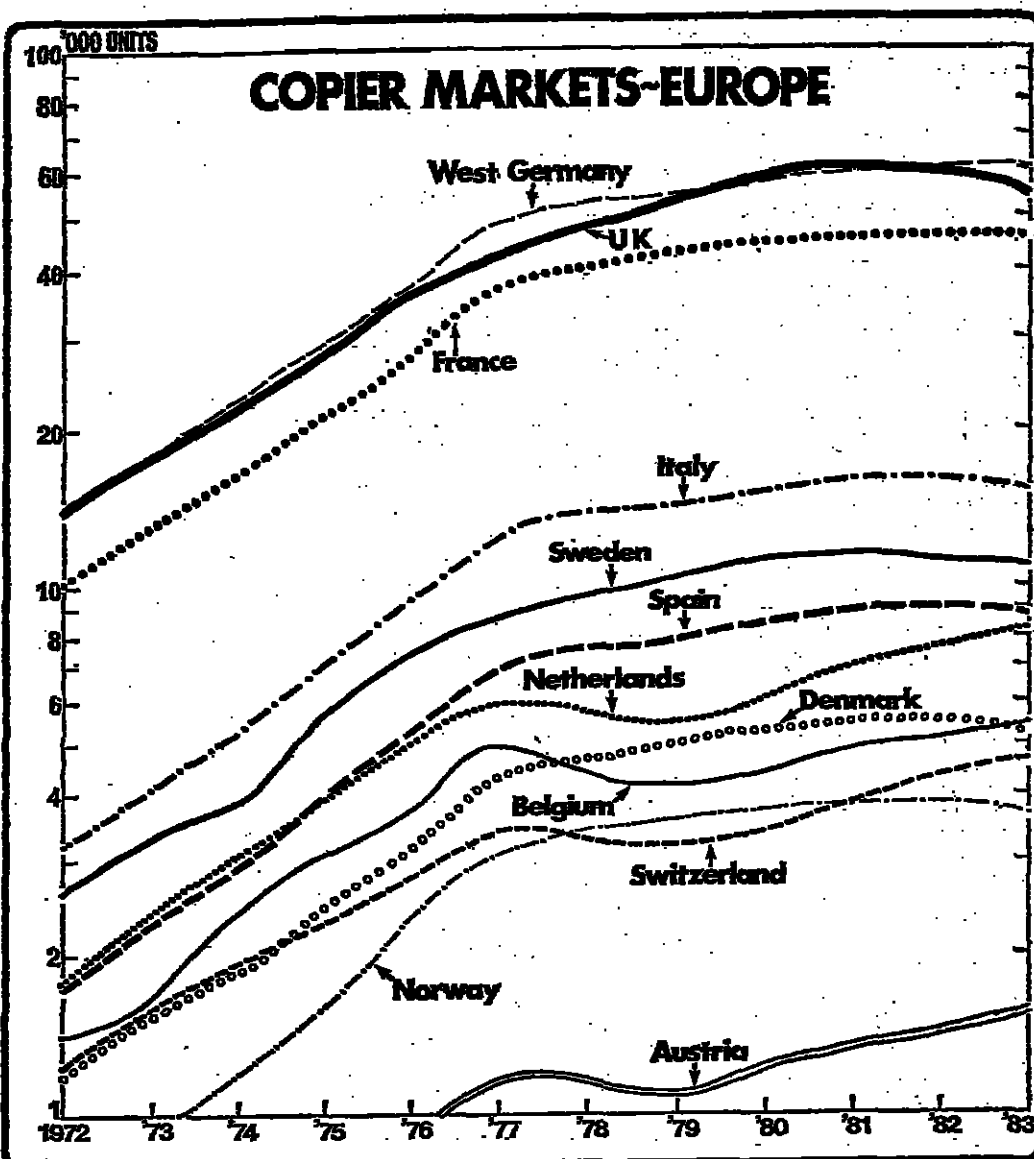
This perspective, and others which broadly agree with it, points out some of the inherent problems. Rank Xerox executives who increasingly study these problems tend to sum them up like this: there are comparatively few problems with the technology; it can be designed and manufactured, with some effort and cost. But the market place is not yet ready for it. Business users are not like individual consumers—they are comparatively slow to react, and conservative. The electronic paperless office has not happened, or even started to happen, and a lot of people are cynical.

Most people given the choice still prefer hard copy to telecreens. At the same time, the telecommunication networks in Europe pose, or may pose, certain problems because they may be slow to adapt. There are two possibilities for the office of the future—management imposing it from the top down, by fiat; or bringing it in from the bottom up. Xerox/Rank Xerox presently prefers the latter.

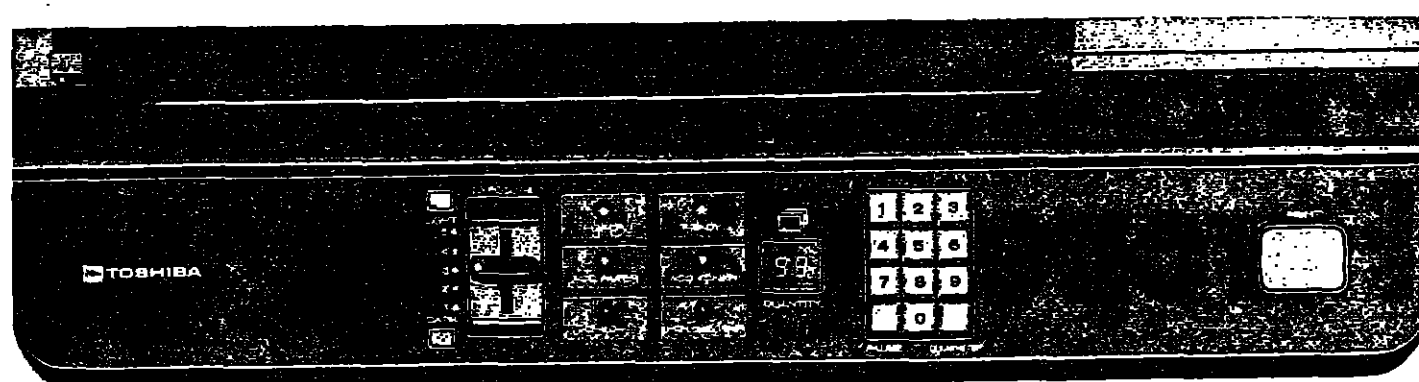
That summarised view shows, first, the emerging opinion in the industry that total systems will not be parachuted in to most offices; and second, that all companies tend to stress their areas of strength.

For Xerox/Rank Xerox, its strength remains copiers, still between 70 and 80 per cent of its sales. Copiers do "come in from the bottom up"—junior staff are much more likely to use them than senior staff, and they require no specialist training. So is it not an ideal piece of equipment for the demotic approach to office automation? That appears to be the belief: the next decade should test it.

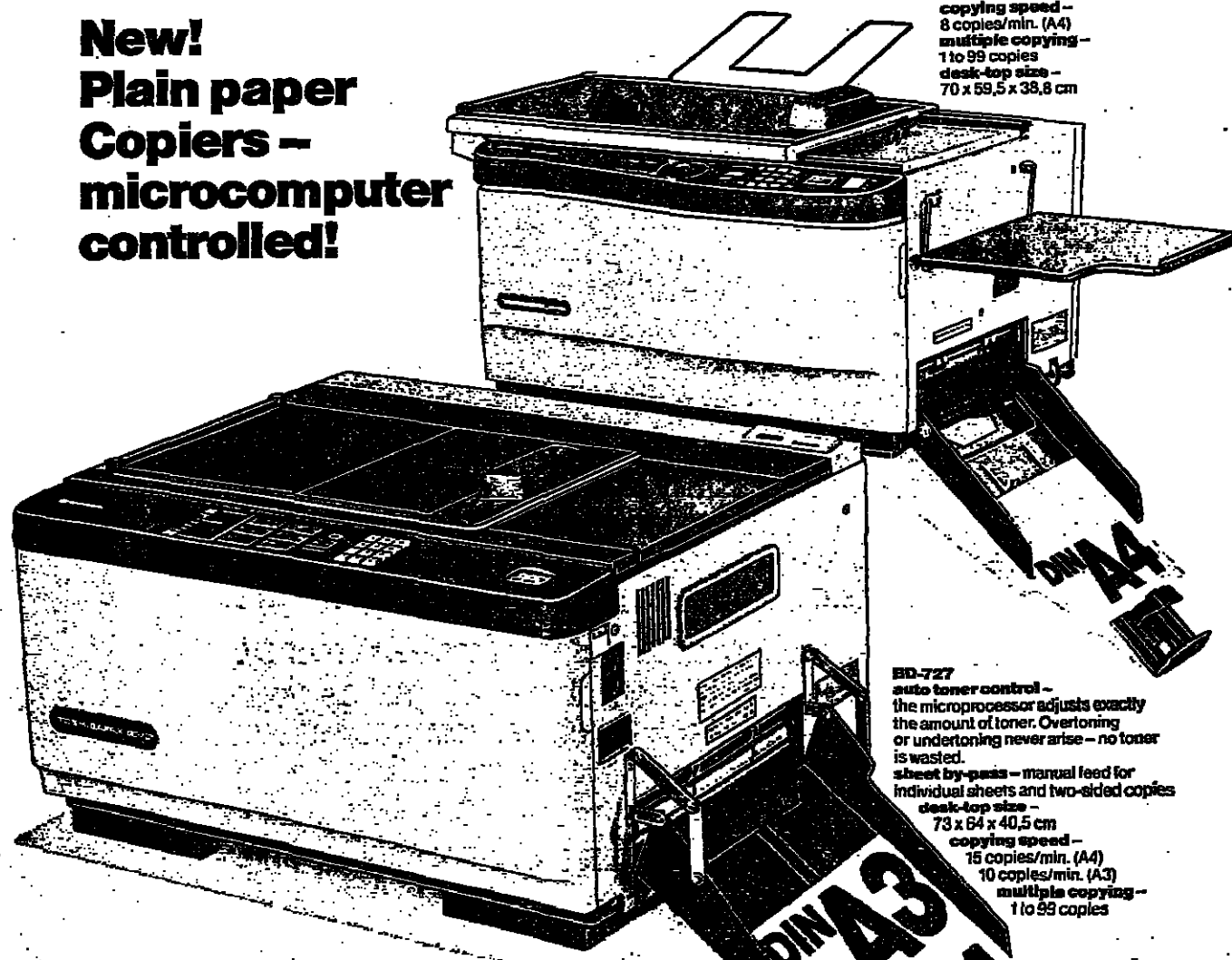
John Lloyd



Source: Macintosh Consultants.



New! Plain paper Copiers — microcomputer controlled!



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multiple copying —
1 to 99 copies
desk-top size —
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BD-727
auto toner control —
the microprocessor adjusts exactly
the amount of toner. Overtoning
or undertoning never arises — no toner
is wasted.
sheet-by-pass — manual feed for
individual sheets and two-sided copies
desk-top size —
73 x 64 x 40.5 cm
copying speed —
15 copies/min. (A4)
10 copies/min. (A3)
multiple copying —
1 to 99 copies

BD-704
12 copies/min. (A4)
sheet-by-pass

BD-909
sheet-by-pass
copy size from A3 to B5
20 copies/min. (A4)
10 copies/min. (A3)

Toshiba's computer technology controls the new plain paper copiers. Microprocessors increase efficiency, enhance reliability and reduce cost of maintenance. The digital-keyboard can be programmed to produce up to 99 copies at one time. It includes a pause key, and the control panel shows continuously what is happening. Toshiba's computerised copiers combine simple operation with the highest standards of copying quality.

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The chip is only half the story

TECHNICAL innovation in the electronics field — in which copiers fall — has tended to be seen in recent years in terms of how many microprocessors are being used to best effect. Micro-electronic technology is indeed crucial to developments in the reprographics sector, though here as elsewhere, many less dramatic innovations are equally important.

To deal, however, with the chip first: its introduction into copiers since the mid-1970s has had, and is still having, the general effect of simplifying the machines for the user. Its replacement of hard wiring and electro-mechanical controls means added reliability and ease of replacement.

More obviously, it has allowed the advanced, and usually larger machines, to incorporate diagnostic displays. These displays show the user when there is a fault, and what it is. In many cases, he can remedy it himself, while in others he is able to inform the service engineer of what it is before he visits. For the engineer, the more sophisticated machines allow him to treat the faults

Even less obviously, a good deal of research still proceeds into paper, both coated and the more popular plain paper.

Plain paper may be thought to be simply that—plain paper: but when it is heated to accept the electrostatic charges, and especially when it is printed on both sides, some care must be taken to ensure that the paper used will make a good copy. Certain papers, for example, produce a high degree of dust, which in turn affects the workings of the machine.

A major innovation in the copying process itself, though one which now has a decade of development and indeed marketing behind it, is colour copying. The U.S. company 3M was the innovator here, displaying a machine in 1968. Xerox followed in 1973, in which year 3M unveiled a second model. Two years later, the Japanese company Mitani came into the market as well.

The copies so far brought out have not offered full colour: they have worked with three toner colours, necessitating a three-fold printing process. They are thus inherently large and

inherently slow, and it was envisaged that they would take the place of the standard rapid or desk top copiers.

Recession

However, their introduction on the market, especially by Xerox/Rank Xerox in the mid 1970s, coincided with a recession, and the sales have been disappointing. Rank Xerox has sold some to customers, but now largely places them in its own copy bureaux, where they enjoy some success. The general marketing of these machines is seen as slow for some years yet.

Still, their main selling point — enhancement of documents, and the ability to pick out certain features in a different colour—may recommend itself to larger companies more in the 1980s, as they seek to gain an edge on each other in prestige presentation. At the same time, further refinements in the colour process may mean a wider range of colour available.

Still, their main selling point — enhancement of documents, and the ability to pick out certain features in a different colour—may recommend itself to larger companies more in the 1980s, as they seek to gain an edge on each other in prestige presentation. At the same time, further refinements in the colour process may mean a wider range of colour available.

J.L.

Plain paper copiers forge ahead

THE EXPANSION that swept the market in the 1960s will be even more dramatic by 1985, with plain paper copiers (PPC) continuing to expand rapidly and the market under intense competitive pressure, particularly from Japanese manufacturers.

At the low-to-medium end it is a dynamic and rapidly changing scene and Rank-Xerox says that the price level will go down in real terms through the productivity improvements to be gained from the technical services area and systems. Because price movements in the industry have not been recovering inflation, some observers say that the price of PPCs has declined and the cost per copy will halve yet again in less than a decade, but Cannon predicts that copy charges will rise as the cost of labour continues to escalate.

While the price of a machine will continue to go down for a given specification, to ensure marketability the equipment will have to become more reliable to give better value for money. Nick Nicholson, international regional director of Rank-Xerox, says: "We are not increasing our prices in line with the rates of inflation, which forces us to drive very hard at the productivity end." At the top end, the customer is more interested in features value rather than pure cost and that may mean a rise in the industrial price level.

Pent-up demand

Greatest growth is in PPC machines below 4,000 copies a month and the pent-up demand for low-volume users makes these machines inexpensive compared with prices five years ago—a calamitous event for stencil, coated paper and offset printing. There is a tendency towards a price increase in the coated paper market, while PPC prices in the upmarket faster machine will remain fairly stable. There is still a market for the small users' individual activities, using simple, less expensive coated paper machines but, within the next year or two, PPC could match coated paper in prices, due to the increased volume in production, making coated paper copiers of the past as good as dead. However, the man who needs only 10 or 20 copies a week and for whom these

copies are essential, will find it highly cost-effective to use a coated paper copier which he can now buy from Ryman's for around £50.

The stencil market is under a certain amount of pressure and there has been a shift in the kind of user for the stencil process but, because of the low cost, the process continues to be in use for the 200 to 1,000 run, although not as fast and clean as PPC which eats into this market.

Gestetner has advanced plans for additional machines to strengthen its present products for a full coverage of the copier market up to the medium volume range. "Despite the spread of PPCs the stencil process still has an important part to play," says Michael Maynard, research director of Gestetner. "Indeed, we have just launched a new model, with electronically controlled features and automatic operation, which has been very well accepted, particularly in the technologically advanced countries in which it has been introduced." Gestetner states that the offset process is little affected by PPCs because it serves generally the high quality printing requirements for offices and in-plant printing and therefore continues to expand.

Growth in the volume of PPCs made in Europe is now estimated at around 15 per cent and it is predicted to pick up again and touch 20 per cent in some years. Looking at predictions for 1985, total PPC machines will score an 88 per cent growth in demand as against a real decline in coated paper. There is little evidence of real change in high speed xerographic copiers which continue their consistent growth but Kodak's Extensivint 150 in the U.S. is beginning to obtain a degree of penetration into this market.

The total reprographics market over the last three years has grown at around double the rate of the growth of GNP and Xerox expects it will continue to outgrow GNP in all Western countries. "The PPC sector has consistently over the past 10 to 20 years outperformed the rate of growth of the reprographics market as a whole by factors of around three times the rate, six times GNP," says Mr. Nicholson. "It all goes back to the early

60s when Xerox created a whole new sector in the industry, until Japanese competition slashed deeply into the lower end of the market to make a sizeable dent. This increased the size of the total marketplace significantly and vendors who saw a large step-up in PPC expenditure are ecstatic because there is plenty of money for everyone in the low volume to middle end market.

"It is somewhat false to say that Rank-Xerox is losing here or gaining there, because I think you have to look at the totality of what is happening to the reprographics industry and what is happening to Xerox as part of that," says Mr. Nicholson, who clearly sees the intense competition at the low to medium end of the market as a result of a significant increase over recent years in the rate of process transfer, particularly zinc oxide.

Ahead of U.S.

The Japanese, who have not been slow to plunge into this market place, say they are expanding faster in the low to medium range of copiers than the American competition. Their key to photocopying profitability is in terms of volume units and the lash has already been felt in the low volume range where Cannon, Ricoh, Toshiba, Sharp, Mitsubishi and Minolta, with offices in Europe and the UK, hope to secure a large market place.

The strength of Xerox has been its ability to out-innovate other manufacturers and to take its wide range of products into competition with other reprographic methods. Its primary thrust will be in the confidence it gives its broad range of customers and its ability to innovate the features value offered. Last year alone it published its R and D spending as \$376m.

Mr. Nicholson sees the launch of products like the 2202, 2300 and 2600, and the 2080 engineering drawing, a Fuji-Xerox product, as a first step to secure further competitive offers, where Xerox will continue to make a significant number of placements with the 680 small desk copier which still has a ready demand. Still the established leader with more installed equipment than anyone else, it holds the largest proportion of actual copiers made.

Looking at the other side of the coin, where over half the copiers produced in the marketplace occur in the 50,000-plus establishments, and emphasising the success of the 9200 and 9400 which offer a genuine process transfer to offset, Mr. Nicholson says: "You will need doing one to 3,000 copies a month to produce the same share of copy volume as the 9200 and 9400, which produce on average more than 100,000 copies a month."

High speed copiers, previously overshadowed by stencil and offset now suffering process transfer by the Xerox 9700 electronic printing system, the IBM 6670 and Wang office information system in the U.S., and here in the UK with the Xerox 9200 and 9400, is another area of healthy expansion said to be growing at the rate of 11 per cent.

The number of total net installations a year is remaining relatively constant. Companies like Sharp, Cannon, Ricoh, Mitsubishi, Minolta and Toshiba have eroded the low-to-medium volume installations, while only IBM and Kodak in the U.S., have begun to make any impact on the high volume market.

Although its share in the low volume PPC market has fallen over the last five years, Xerox claims it will recover some of its lost share from sales of the 2300, 2600 and to some degree the 3100 in its lower copy volume installations. Its eventual market position will depend on what other competitors like IBM, Cannon, Ricoh, OCE, Mitsubishi and Agfa, which is also broadening its range, are doing in this market. Gestetner which recently launched the 2010 is confident it will acquire a large share of the low-to-medium business and claims it is the only British company developing and manufacturing photoconductors in the UK.

Mr. Nicholson of Rank-Xerox, who will never discuss market share percentage figures says the company has improved sales and is looking at the idea of a retail facility.

Suppliers are concerned about managing their growth and providing high-level customer support. Olivetti has designed a marketing plan that meshes in with its long-range strategy to exploit new opportunities. 3M says it is getting more active in



The Xerox 2300 desk-top copier being assembled at the company's plant in Lydney, Gloucestershire, a satellite of the Rank-Xerox factory at Mitcheldean, which employs more than 4,000 people. Below: the Romeo Vickers DB1010 plain-paper copier in use



Marlene Brown

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REPROGRAPHICS IV

Intelligent copiers ring changes

THE COPIER is a high technology product: like the computer, it has been one since its introduction. Like the computer, too, it is progressively reaping the advantages of microelectronic and other—largely laser and fibre-optic—technology to extend its capabilities.

Most major manufacturers are now using the microprocessor for two things: first, to replace some of the electro-mechanical controls in the copiers to improve speed and reliability, and to add features: second, to produce diagnostic displays which allow the user to learn immediately the nature of any faults, and thus to cut down on repair time.

At the same time, improvements in more conventional technology have also contributed to higher speeds, better quality and better mechanical reliability. The Japanese introduction of a liquid toner machine brought prices down and made operations easier for the user; while Xerox's introduction of a seamless belt used as a photoconductor, in place of the earlier selenium drum, coupled with a new process to fuse toner to paper virtually at once, meant—in the 9200 and then in the 9400 machines—that it produced much more rapid and reliable copiers than before.

This work on the various competitive parameters—speed, reliability of machine, quality of copy, ease of operation and noise levels—will continue, and may be expected to quicken as the potential of the technology is more fully understood and explored.

However, much attention has been given in the past 12 months to a potentially more far-reaching innovation in the copier market, one which fuses conventional copier technology with advances in microelectronics and with communications developments. The results now on the market from a number of companies, is the intelligent copier/printer, or ICP.

Just as important

Where communications companies see the computerised switchboard as their stride into the automated office, and computer companies make similar claims for distributed data processing, the manufacturers of intelligent copiers (two of whom at least are primarily computer manufacturers: the technology is converging with a vengeance) see the ICP as at least as important.

So what is it? In brief, it is a copier which will reproduce, in printed form, information fed

into an electronic form from computers, telecommunications networks or word processors. Macintosh Consultants describes it thus: "The intelligent copier is not simply a photocopy with a built-in microprocessor to provide automatic control of copy quality and a diagnostic display, as has been seen in recent announcements."

"It certainly has at least one built-in microprocessor, but the aspect which most characterises this product is that it enables the user to produce a hard copy of a document, rather than a soft copy, the exposure technique is quite different. Using a high speed light source, as a laser, the electronic input is scanned and interpreted: the light source then projects its interpreted message on to the photoconductor to produce a latent, static image."

Built from dots

The "ons and offs" of the light source create dots on the photoconductor, which are then built up into characters, and then printed. The "resolution factor"—the number of dots per square inch—is a major, but not the only, determinant of quality of the finished product.

There are three major systems currently available: Wang's Image Printer, IBM's 6670 Information Distributor and the Xerox 9700 Electronic Printing System. Wang, which made its rapidly-acquired reputation and size

through concentration on the word processor market, was first in this sector in late 1978. IBM followed three months later, while the 9700 came along later in 1979. Mr. Thomas Holmes, managing editor of the office automation group at Datapro Research Corporation, sums up the three systems in the February issue of *Automation*:

Wang Image Printer—"The unit has limited intelligence but provides excellent quality output for both word processing and data processing applications."

IBM 6670: "The most impressive of the currently available units for word processing applications possesses intelligence for stored formats, communications, copy manipulation and the merging of input from various sources."

Xerox 9700: "The most powerful of the three products is priced high and considered to be a data processing service, though a recently announced option allows the Xerox 850 word processor to communicate with the 9700."

The accompanying diagram shows, in customarily optimistic mode, what an ICP could do. However, unlike such other sketches, it has arrived with roughly the above capacity. The heart of the matter here is not preparing for its arrival, but discovering how best to use it now it has come.

J.L.

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Source: A. D. Little



The Ricoh Rex-Rotary offset duplicator being used in conjunction with an electrostatic platemaker for in-house print work

Duplicators hold firm in some markets

IT IS a cliché of the industry that the duplicator market is in decline. Like many clichés, it is based on fact, but must be qualified.

In the advanced economies of the U.S., Japan and Europe, the duplicator is slowly losing ground to the copier, the more so as desk top copiers move in to smaller businesses. The inherent advantages of ease of operation and the ability to copy original documents usually outweigh the duplicator's lower price per copy.

However, there are some sectors within these economies where duplicators are more or less holding their own. Some small businesses still prefer duplicators, since they make little use of original documents;

while Government, and more especially educational, establishments which originate a large number of circulars for staff or pupils, still regard duplicators as the most convenient and cheapest form of transmitting written information.

Naturally, at a time of economic, such markets are vulnerable, but there is a two-fold effect here. Some form of duplication/copying is regarded as essential, and while the old duplicator may be retained longer because of cuts, there will be less ability to trade up to a more expensive copier when a purchase must be made. Further, in the developing countries, the comparative lack of an advanced telecommunications infrastructure usually

limits electronic equipment to large company offices and Government. The duplicator can thus continue to be assured of markets for some years.

The slowness of the market decline, and the still considerable areas where there is growth or stability, means that the product is very far from being consigned to the dustbin. However, those companies who continue to locate a major part of their activities in the duplicator market must bring in changes. The trend of their activity is illustrated well with reference to three major companies in the field: Gestetner and Roneo Vickers of the UK, and A. B. Dick of the U.S.

Gestetner is among the world leaders in duplicators, and has

established in some areas the same identification of its name with the process as Xerox has. It has seen its revenue grow over the past five years, from £188.8m in 1975 to £267.5m in 1979, but operating profits have declined in the past three years, from £26.1m in 1977 to £16.9m last year. The main problem for Gestetner is one by no means unique to it, a strong pound naturally hits hard a company which exports 90 per cent of its production.

Its strategy remains, however, one of gradually shifting into a higher technology. It has two copiers, both developed by its Rex Rotary subsidiary: the 2010 and 2015, both desk top plain paper copiers, manufactured at the company's Tottenham plant.

At the same time, it brought out at the end of last year a stencil duplicator called the Faxi 1566 which incorporates automatic loading and automatic ejection of the master.

The trick for Gestetner is to continue to serve its traditional market, while applying resources to the new one.

Roneo Vickers, which has been Gestetner's main rival, has taken a quite different route. Earlier this month, the company sold off for £30m its office machinery division to the French electronics company CIT Alcatel. Roneo Vickers will draw back into what it sees as its strength, the manufacture of office furniture. While the company distributes a German-made copier, it has not invested in the

technology itself, judging the risks too high.

Oddly, the takeover of Roneo by CIT had been foreshadowed, in late 1978, by the takeover, for £52m, of A. B. Dick by the UK General Electric Company (GEC). Dick was an old family company, strong in duplicating and printing equipment, with developing ranges in copying and word processing. Like Roneo, it needed cash.

In summary, then, the market remains profitable (a) if the traditional markets can be served—which depends on an international marketing network, and (b) if technology can be incorporated into new products for future markets.

J.L.

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Xerox overcomes its problems

THE Xerox Corporation developed the xerographic process and, with its UK-based part-owned subsidiary Rank Xerox, still commands around 60 per cent of the market. Its growth has been astonishing, as much so that its loss of market share in the past decade taken together with a period of comparatively low profitability, has been seen as little short of disastrous in comparison. The troubles were certainly more than skin deep, but they appear to have been at least partly conquered.

Xerography was the brain-child of U.S. patent lawyer named Chester Carlson, who succeeded in having it developed by the Battelle Memorial Institute, which in turn was supported in its work by the Haloid Company. Haloid took an exclusive patent on Battelle's development. In the 50s, Haloid, which changed its name to Haloid Xerox then Xerox Corporation (1961) began introducing the first xerographic machines.

Partner found

In 1956, while still establishing a U.S. market, Xerox found a European partner in Rank. The joint venture, Rank Xerox, was set up to manufacture and market machines in all parts of the world other than North America. In 1969, the 50:50 share was changed by 1 per cent in favour of Xerox. In the 60s, Rank Xerox established subsidiaries in most European countries, in Japan (a joint venture with Fuji-Xerox) in the UK, it initially marketed from international headquarters, then transferred marketing to Rank Xerox UK in 1972.

The troubles which hit Xerox/Rank in the mid 70s are largely to be summed up as the onset of substantial competition. A number of U.S. and European companies had moved into the market, and these were complemented by Japanese companies competing strongly at the low end of the market where Xerox/Rank Xerox was vulnerable.

The Japanese machines were not only cheaper and more quickly available than Xerox's, they also—to add insult to injury—incorporated a technical advance at the low end in the use of liquid ink or toner, instead of the Xerox powder.

Xerox naturally hit back, cutting prices on its threatened machines, introducing new equipment, stressing service and range. It appears to have worked, at least up to a point. The company is much less of a monopoly than it was, and can

clearly not crush its opposition by simply rolling over. However, it seems to have taken sufficiently strong action to hold on to a dominant market share.

Profits in Rank Xerox, which had declined in the years 1975-1977, rose again in 1978 and leapt ahead in 1979. At the same time, investment increased sharply, as did additions to rental equipment. Mr. Hamish Orr-Ewing, the recently appointed chairman of Rank Xerox, has as his prime message the slogan: "We're not afraid of the Japanese!"

Its most publicised, and most important recent activities have concerned the acquisition of companies and products to prepare the corporation for office automation. It has taken on Calcomp, which makes memory products; Western Union International, which operates satellite communications links; Shugart, which makes disk drives and, has announced the development of a telecommunications network, XTEN. At the same time, it has brought out word processors, and an intelligent copier, the 9700.

The comment of a recent A. D. Little report on the project was: "Xerox appears to have stationed itself well to deal with the necessarily evolutionary characteristics of office automation systems market. Historically, however, it has not addressed systems oriented markets successfully. It has yet to prove that it can successfully implement a full product line strategy to this market." We wait to see.

J.L.



Mr. Hamish Orr-Ewing, chairman of Rank Xerox

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THE MANAGEMENT PAGE

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EDITED BY CHRISTOPHER LORENZ

Nicholas Leslie examines why small U.S. companies are worried about capital retention

Looking for help to keep business in the family

THOSE who see American business as a battery of big battalions—Ford, General Motors, Exxon and the like—will be surprised to learn that about 95 per cent of all U.S. businesses are in the official category of "small." To be fair, many of these would easily be classified as medium sized in European terms, but a good 80 per cent of America's businesses are tiny in anyone's language, employing 10 people or less.

So the "big business" stereotype of America is wrong. But this does not necessarily mean that the small business sector is entirely healthy. Since the last war there has been a major concentration of ownership of the nation's corporate assets—a phenomenon that has been mirrored to a degree in the UK and some other European countries. For example, since 1960 the proportion of manufacturing assets in the States controlled by small and medium sized businesses has contracted by more than half to less than 27 per cent.

It is not only by internally generated growth that large companies have grown larger and larger, but also by buying up their smaller brethren in droves. In 1978, for instance, nearly three-quarters of the businesses which were acquired had assets of less than \$1m, while almost half of those doing the buying had assets exceeding \$100m.

Many owners of small U.S. companies object to this trend. The intensity of their feeling was patently obvious at a gathering of 2,000 of them dur-

ing the first White House Conference on Small Business in Washington in January.

The conference was the culmination of 18 months of regional conferences and seminars at which many thousands of small businessmen had been able to air their views on what initiatives were needed to improve the climate for them. The whole effort was originally instigated by President Carter himself, and clearly raised small businessmen's expectations of new measures to help them. However, it must be said that objective evidence of their alleged difficulties remains sketchy.

Unfair tax system

Most of the delegates at the conference saw the trend of corporate concentration as irrefutable evidence of an unfair taxation system that allows large companies to retain a much greater proportion of their earnings for future growth than can smaller concerns, and which forces privately-owned family businesses into the arms of their big corporate brothers through the prohibitive cost of handing on a family concern to the next generation.

Not that big company take-

overs of small concerns are resented per se. This time-honoured way for the thriving entrepreneur to realise a big financial gain from his endeavours will inevitably remain popular.

It is important to be clear that the current debate is among a complete cross-section of American small business: not only the much-publicised, high technology-based firms, but even more the low-technology family ones such as builders, engineers, real estate agents, electricians, plumbers, restaurateurs and the like. The family firm is still very much a national institution in the U.S. and it is because their owners see their ability to ensure a family succession under threat that they show such hostility.

Given the intensity of their feeling—which is shared to a large extent in the UK despite differences in the two countries' tax structures—it is perhaps hardly surprising that small businessmen in America are so preoccupied with lobbying for changes in corporate and personal income tax which would allow them to retain their companies within family ownership and to keep more cash in their companies for future development.

That said, it is not only personal taxation which has

driven small businessmen into their current preoccupation with capital retention. There are a variety of other factors, not least the slowdown in economic and industrial growth. There is also the way that inflation—still a relatively new phenomenon—eats into their cash flows yet pushes them into more pernicious tax brackets as their earnings rise in nominal—though not real—value.

They have consequently become more alive to, and aggrieved by, what they see as a series of other anomalies. One is their contribution of relatively more tax to the government per dollar of sales than larger and more mature corporations. Another is their relatively poor treatment by government over public procurement contracts.

Small businessmen allege that whether the U.S. Government is buying capital equipment, services or research and development, it consistently goes to the major 1,000 or so big American groups rather than spread its business around smaller concerns (the Small Business Administration would dispute this, arguing that it has made considerable strides in directing more government contracts towards the smaller business sector).

Indeed, there were many people at the White House conference who complained that their efforts in the fields of innovation and technology were suffering because they were not getting the support from government they believed they deserved (on more than one occasion caustic remarks were made about the folly of pumping billions of dollars into the ailing Chrysler car company which could be better employed in the nation's small business community).

One suggested way of ironing out the inconsistencies in federal government procurement was for a given percentage (varying from 10 per cent to 35 per cent) of each federal agency's research and development budget to be set aside for projects allocated to small business.

Though such an approach is apparently generally favoured by small businessmen—and by larger businesses which were consulted by the Administration last year—it can nonetheless be fraught with difficulties.

As Monday's article reported, positive discrimination on the part of the Small Business Administration in the allocation of some of its funds has generated varying reactions. On the one hand, for example, there have been accusations that funds set aside specifically for

ethnic minorities have involved considerable waste and abuse, while on the other there have been countercharges that such funds are not large enough.

The small businessmen's shopping list of specifically financial measures is extremely lengthy. They hope to see a fresh approach to depreciation schedules to replace the existing one which is considered to be over-complicated. They also want a wider range of organisations and individuals to be encouraged to invest in small companies. Two suggestions are for tax credits to be given on initial investments in a company and for tax to be deferred on investments that are rolled over.

Divisions of opinion

Behind the public consensus on general tax structure there are deep divisions of opinion about whether indexation should be introduced.

But there is very wide agreement in another special type of loan—the Small Business Participating Debenture. Legislation is already pending to introduce such an instrument, envisaging that the debenture

holder gets a given rate of interest, together with a share of earnings while the debenture is outstanding.

The debenture holder's income is treated as capital gains for tax purposes (thus it attracts a lower rate of tax) and he also gets a tax credit for investing in an SBPD. Meanwhile, the small business that issues the debenture treats both the interest and the share of earnings that it pays out as a cost of capital and deducts both prior to paying tax.

Ironically, Small Business Investment Companies—a concept which has recently been advocated in the UK (not least by Sir Harold Wilson's committee inquiring into financial institutions)—generate a mixed reaction among America's small business community.

SBICs are privately-owned specialist financing companies designed to invest unsecured or largely unsecured "risk" equity capital or loans in small business, both new and established firms. The companies are licensed by the SBA and attract generous tax advantages for their shareholders. However, many small business owners reckon that SBICs are now too conservative in their approach and orientated towards providing debt rather than equity capital. There is some feeling that debt financing is widely available elsewhere in the financial community and that SBICs do not therefore provide an adequate bridgehead between venture capitalists and banks.

The considerable undercurrent

of feeling that has been generated among America's small business community, especially as a result of the small business conference in January and the regional conferences and seminars which preceded it in the previous 18 months, has generated expectations which will probably prove difficult to fulfil.

The small business lobby has grown and clearly has become better organised. Many within the specialist organisations that have tended to proliferate throughout the country in the past two or three years believe they now have much increased political clout and that they cannot be ignored in Congress or the Senate.

Yet there must be doubt at present whether the measures they are seeking, and which they believe will regenerate the small business sector and halt the trend towards large company concentration, have great hopes of being effected. For, even if they are acknowledged as being the right steps to take, President Carter's series of economic proposals this year run somewhat counter to their hopes. There seems little likelihood in the short term of any major tax concessions and higher interest rates will presumably exacerbate their cash problems.

Some better indication should emerge in the Summer when Vernon Weaver, administrator of the Small Business Administration, has promised to report back to delegates of the January conference on the progress that has been made towards meeting the host of proposals they put forward.

Who will be the Fairey godmother?

BY HAZEL DUFFY

ONE OF the most urgent questions facing the politically pressured National Enterprise Board is what to do with its stake in Fairey Holdings, the engineering group. The recent bid for Fairey by Hambros Bank has confronted the board with an awkward dilemma. And as one NEB official said recently: "Whatever we decide it will be wrong."

Theoretically, the NEB has not one but three options. It can sell Fairey to Hambros; or sell to other, as yet unidentified, "interested parties" which have not to date made any bids; or ignore all such approaches and retain Fairey in its own portfolio.

If the NEB accepts the Hambros £19.5m cash bid for Fairey, made just over five weeks ago, Hambros would then allocate most of the equity to various institutions which have already indicated their interest.

In two to three years, the plan is to bring Fairey to the stock market, when some of these institutions might wish to sell off their stakes or else retain Fairey in their portfolios. Hambros' original offer expired two weeks ago, but it was extended until today. The NEB thinks the offer is too low—it would like at least another £2.5m to £3m.

The names of the other "interested parties" are

believed to include Thomas Tilling, BTR and Trafalgar House Investments, three of Britain's most successful conglomerates. The NEB has been very cagey about saying just how interested these parties are, but it is assumed that if one of them did make a bid it would be for all the companies in the Fairey group. Ever since the NEB took over Fairey in January 1978, some companies have been nosing around but mostly they were interested in buying only a part of the group.

If the NEB retains Fairey in its portfolio until it has had enough time to show what it is worth, it could then bring it to the market itself. This option is the one desired by Fairey and would suit the NEB, but in the light of the pressures from Government on the NEB to raise £100m from the sale of assets, it is also the most unlikely. When the Industry Bill becomes law, the NEB's new guidelines will reverse the original purpose for setting up the Board, which was to expand the public sector, and instead require it to

work towards selling off assets like Fairey.

The criteria which the NEB has to consider when making disposals are concerned with the interests of the taxpayer and of the company to be sold. No official guidance is given as to which is more important, so presumably they are of equal importance. In the case of Fairey, however, that is a difficult assumption. The highest price, giving the taxpayer the greatest return, would be raised probably by splitting up Fairey and selling off to different parties. It could be argued, and Fairey management is doing so, that this would not be in the interests of the company.

Shopfloor

The chances of being retained by the NEB being slight, the Fairey board, managers, and those shopfloor employees who have taken a view, all favour the Hambros offer because they believe it is the best guarantee that the group will continue as a single entity. They say such an assurance is vital to the

group being able to build up confidence and produce good results.

Fairey as it is under the NEB did not exist three years ago. It was part of the Fairey which included the aviation interests that dragged the whole company into receivership. The NEB bought the engineering companies from the receiver for around £18m, kept on the name, appointed a chairman (Mr. Angus Murray), then a chief executive (Mr. Kenneth Bacon), and a new board. In the two years under NEB ownership, Fairey has not needed to borrow any money from the NEB, and has produced profits before tax of just over £5m in each year. This sort of return is nothing to shout about, but it is a lot better than many engineering companies have done over the past year.

Fairey has four main interests: defence engineering equipment, particularly the medium girder bridge; hydraulics; filtration; and marine engineering. It has to be admitted that there is not a great deal of industrial logic in forging them

together. It might even be argued that hydraulics, for instance, would have a better future if it was merged into, for example, a specialist group like Dowry.

Fairey has aroused interest because it is a fairly specialised engineering group. Defence equipment is the most profitable, but hydraulics, in particular, and filtration, have the most potential. Fairey hydraulics have been sold to a number of aerospace projects in Europe and the U.S. and could do well from the civil aircraft boom.

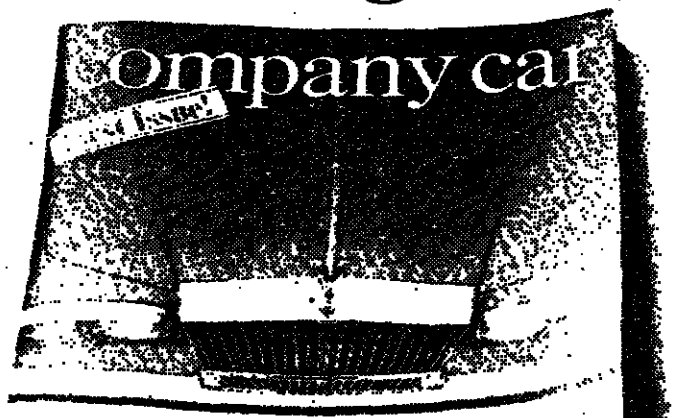
The corporate strategy is aimed at building on existing interests in advanced technology, and to this end, Fairey announced recently that it will be marketing, and making, Italian-designed robots under licence. In its choice of flexible robotic systems, the deal looks promising but if it is to be of long-term significance, Fairey will have to show that it can do its own design and development.

Engineering is a depressed sector at present, and the immediate future does not hold out

much prospect for recovery. In this climate, Fairey senior management has done reasonably well. It has shown resourcefulness in building on its strengths, and has not shied away from difficult decisions like the closure of its loss-making plant in the North-East shortly after the NEB takeover. The next couple of years will be more challenging, and everybody would have liked them to have been in the relatively protective environment of the NEB.

If that is not to be Fairey's future, then perhaps the management ought to be listened to when it says it would prefer to stay independent rather than be swallowed up by a much bigger group. The days of consulting the workforce on takeovers went out with Anthony Wedgwood Benn, but this Government, which puts great store by individual initiative and enterprise, could hardly disapprove of hearkening to the management's view. If Hambros could stump up some more cash, an acceptable solution need not be far away.

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LOMBARD

Property rights in jobs

BY SAMUEL BRITTAN

SOME YEARS ago I wrote an essay in favour of property rights in workers' jobs (now in Chapter 20 of *The Economic Consequences of Democracy*, Temple Smith, 1977). The basic idea was that some workers should have a contractual right to their job, of which they could not be deprived without their consent—although they could be bought out at a mutually-agreed price.

The basic idea was to provide workers insurance against being the victims of technological or other change which might force them to change in mid-career to less well-paid or less congenial or less conveniently situated work—or else go on the dole. The object was not to stop technological change, but to make sure that the winners from change would compensate the losers. If a change is unequivocally beneficial to society, employers ought to be able to buy out the job rights of those who would lose from the process.

Alternative

Job rights, as I envisaged them, differed from conventional redundancy compensation. The latter is determined by past contributions and statutory provisions. The value of a disappearing job on the other hand is the premium it commands over the next best alternative—both the differential in pay and conditions and the costs, risks and anxieties of looking for that alternative. This is measured approximately by what the worker would agree to receive for having his right to his existing job "bought out".

The proposal was not welcomed on the employers' side because it looked like just another burden. It was equally unwelcome on the union side, because it was a form of individual protection which bypassed the union. Indeed my original essay envisaged a whole series of alternative labour contracts—in one of which there would be job security in exchange for the waiving of the right to strike. This variant might be suitable, for instance, for the essential public services. One reason for keeping alive the proposal is that property rights in jobs have been developing *de facto*, and we could easily end up with most of their dis-

advantages and few of their disadvantages. There has for a long time been the concept of lifetime employment in large-scale Japanese industry. In Belgium and Spain dismissed workers of some seniority have to be compensated by the equivalent of a full wage payment over the remainder of the employee's working life.

In the UK, the obstacles to sacking workers, both informal and under the Employment Protection Act, form the standby of employers' conversation. (But characteristically the UK seems to have the worst of all worlds. The employers face many costs and problems, but the workers do not feel genuinely secure—and are not.)

The well-known American management writer, Peter F. Drucker, has recognised the *de facto* emergence of a job as a new kind of ownership right (in an article in the *Wall Street Journal*, of March 4). He ties it together with the pension right as a new kind of property. In my own essay, I mentioned that job security was expensive to provide; and if it was not to lead to more unemployment rather than less, workers would have to recognise it as an alternative to higher take-home pay. The market value of the rights could be established and the system made to work only if there were sectors and business without job rights employing workers whose preference was for the maximum cash here and now.

Mr. Drucker has put his finger on what is wrong with property rights in jobs in the form they are now emerging. "They cannot be bought, or sold, or pawned, or bequeathed. This was very much the way the law treated property in land in medieval Europe and pre-modern Japan." The need is surely to move from a feudal to a market-based concept of job rights so that they can be bought and sold among qualified people.

The principle is that special rights and privileges—whether to jobs or council houses—do much less to ossify the economy if they are transferable between individuals at a mutually agreed price in a secondary market than if they are treated as an inalienable feudal privilege. The question is no longer whether to have property rights in jobs, but what kind of rights these should be.

THIS SEEMS to be the right time to make a seasonal suggestion for the job of who are starting out with keenness, but no established backbone to your gardens, and for those who are giving up drink and driving after the Budget and want something cheaper and healthier for long summer evenings.

I hope that you will spend a careful hour in a seed-shop or among those large racks of display-packets which the seedsmen now offer in most garden centres. If you think that they mean hard work, heating and nothing but orange marigolds, you have never been bold with them. I intend to plan a border for about 8 ft deep and 30 ft long in a sunny place without needing heat in a greenhouse or the labour of pricking out.

Better still, it would be in full flower by mid-July if you seized on the next bout of warm and damp spring weather and took the day off to plan your own small work of art.

I assure you that it is easy and quite possible. I will choose only the hardy annuals which grow from seed outdoors in any season. Some of them are other countries' chickweed and groundsel, but I find them all far prettier and no more awkward than these obliging English weeds.

Height, you might think, will be a problem. If you look out for the hardy annuals, it is nothing of the sort. There are two varieties, the shocking pink forms of the lavender and the deeper shades of the less familiar malope. The former now boast the excellent new selection called Silver Cup which is slightly smaller and very well coloured. The older Loveliness is no longer the best, but even so, I still prefer the malopes for density and solid colouring.

I would pick on the Crimson King variety as the mainstay for my back row and match it with the bright leaves of the hop and the heavy flowers of double-headed poppies. To make my task more difficult and yours easier, I am excluding the sweet pea.

Without heat or glass, the seed of the hop should be kept until early May, before it is sown outdoors. Try to buy the form with a cream-yellow variegation on its fresh green leaves and sow four or five seeds round a circle, so that you can later build them a frame of bamboo canes and wire netting up which the hop will race to a height of four or five feet. By late July, they will suggest that your border has been in place for long enough to have gained form and mass. The stems of the hop will cling to the netting without further support. Sweet peas, obviously, are an alternative, and ideally, they should have been sown two months ago.

Between the hops and the red malope you can either go for poppies or sunflowers.

There are two-tips to the hardy annual poppies: buy a double-flowered form, so that the flowers last longer, and be sure to sow the seeds where you want the plants to flower. The best double forms, to my eye, are the heavy peony-flowered mixtures. Like all poppies, they aim to grow a tap root and thus hate to be transplanted from place to place.

The seed is prolific, so you should scatter it freely wherever you want it to germinate, either laying it in drills made with the back of a rake or else pressing it down into the

A width of eight feet allows you a back, middle and front row, ranging from four feet high to a foot or less. The middle is easily filled, I have never grown good clarkia or larkspur and I do not care for

GARDENS TODAY

BY ROBIN LANE FOX

loosened soil. They grow quickly to a height of three feet or so and have a solid flower which matches your hops and mallow very prettily.

If you feel that poppies are not quite tall or thick enough, you should instead use any of the small forms of sunflower. A small sunflower is about four feet high, of course, and its seeds should not be sown outdoors until May 1. They soon catch up and the delay should allow you time to order a good mixture, of which the old Autumn Beauty series is still very useful.

As usual, big groups of a few varieties are far more effective

cornflowers as they are too thin and upright. Love-in-a-mist is quite another matter, so I would make this simple plant the mainstay of the middle, using only the clear blue Miss Jekyll form. It is an extremely obliging plant with no vices or stubbornness.

The pair to it is less well known, the lovely annual Corn Cocker which grows well on the small corn fields in south-west Turkey near the old achaean logical site of Mylasa. It is sold as *Agrostemma molyneuxii* and I cannot recommend it too highly. The flowers stand on thin grey-green stems about three feet tall and are open, five-petalled

Another Merlin for Remigio

THERE IS a break from 'Flat racing this afternoon but jumping enthusiasts are unlikely to be disappointed by the day's fare, for it includes a fine programme at Ascot and support fixtures at Kelso and Worcester. On the Queen's course, by far the most valuable event is the Berni Inns long-distance hurdle which a year ago when to

In achieving the second of those successes, Ross du Vin probably put up his best performance to date when comfortably accounting King Neptune at weights in the

Ross du Vin renews rivalry with the runner-up on identical terms and despite his subsequent poor showing on ground admittedly heavier than he likes at Cheltenham. He should confirm his superiority.

Parade of the two of his eight races this season, is another who probably put up his best performance of the campaign last time out. Sent to Sandown for the Oak Open Hurdle, the Uplands six-year-old foiled a strong market move

for Gemini Miss, beating that eight-year-old, to whom he was giving the best part of 2 stones, by six lengths.

A year ago that top-class hunter-chaser, Remigio, justified prohibitive odds in the Merlin Hunters' Chase with a fluent victory over Canhe, and it will come as a major surprise to many if he does not do the trick again. Remigio, who also won this event in 1977 when beating better opponents in Rough House and Long Lane, can regain winning form following a three-length defeat by stablemate Roly Ramble at Cheltenham, by outpacing Beeno.

2.00—Remigio***

2.35—Rushmere*

2.45—Nimrod*

3.15—Pardon**

4.00—Foxworthy

4.40—Loophele

ASCOT

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4.40—Loophele

ASCOT

TV Radio

Indicates programmes in black and white

BBC 1

9.55 am Ludwig, 10.00 Jack-nory, 10.15 Tarzan, 10.35 Hang on Doggy, 12.45 pm News, 1.00 Pebble Mill at One, 1.45 Heads and Tails, 3.53 Regional News for England (except London), 3.55 Play School, 4.30 The Space Sentinels, 4.40 Wildtrack: news on wildlife, 6.00 John Craven's Newround, 5.10 Potter's Picture Palace, 6.40 Evening News, 5.50 Nationwide (London and South East), 6.20 Nationwide.

6.55 Film: "Deadman's Curve," starring Richard Hatch, 8.30 Potter, 9.00 Nine O'clock News, 9.25 Report on the pesticide, 9.55 Sportsnight, 10.50 Michael Parkinson and Tommy Steele, 11.50 News Headlines/Weather. All Regions as BBC 1 except as follows:

Cymru/Wales—5.55-6.20 pm Wales Today, 6.55-7.05 Tom and Jerry, 7.05-7.30 Heddidi, 7.30-8.00 A Question of Sport, 8.00-8.30 My Wife Next Door, 11.45 News and Weather for Wales, Scotland—12.40-12.45 pm Scottish News, 5.55-6.30 Reporting Scotland, 10.50-11.20 Is Anybody There?, 11.20-12.20 Michael Parkinson meets Tommy Steele, 12.15 am News and Weather for Scotland.

Northern Ireland—5.55-6.20 pm Northern Ireland News, 5.55-6.20 News Around Six, 11.45 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Newcastle); Look North-West (Manchester); Midlands Today (Birmingham); Nationwide (London and South East); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

10.20 am Gharbar, 11.00 Play School, 2.20 pm Racing from Ascot, 4.40 Holiday Matinee: "The Ballad of Josie," starring Doris Day, 6.20 Chess: Lothar Schmid v. Robert Byrne, 6.50 Outside a City Wall, 7.00 Mid-evening News, 7.10 The Silicon Factor, 7.50 Arena, 8.30 "Man of La Mancha," with Sophia Loren, 10.35 Cartoons: "The Ladder," 10.45 Newsnight, 11.30 Closedown: "Greek Orthodox," by John Betjeman.

LONDON

9.30 am Australian Snakes, 9.50 Who's Afraid of Opera?, 11.50 Conquest of the Sea, 11.55 Young Ramsay, 12.00 pm Cloppa Castle, 12.10 Rainbow, 12.30 Camera, 1.00 News at One, 12.30 Thames News, 1.30 Take The High Road, 2.00 Afternoon Plus, 2.45 The Champions, 3.45 Square One, 4.15 The Sooty Show, 4.45 Noah's Castle, 5.15 Struck by Lightning, 5.45 News, 6.00 Thames News, 6.25 Help, 6.45 News, 7.00 6.35 Crossroads, 7.00 This Is Your Life, 7.30 Coronation Street, 8.00 Comedy Tonight, 9.00 Best Sellers: "A Man Called Intrepid," 10.00 News at Ten.

10.20 Best Sellers (continued), 11.15 The Birmingham International Show-Jumping Championship, 1980, 12.15 am Thames Art: "Orchestras A-Z," 12.30 Encounter at Easter. All IBA regions as London except at the following times:

ANGLIA

9.30 am Hales and Batcher Cartoons, 9.50 Chopper Squad, 10.40 Monsters, 11.00 News, 11.30 Morning of the Day of Days, 1.25 pm Anglia News, 2.45 Houseparty, 3.15 Doctor Down Under, 5.15 Barney Roadster, 6.00 Anglia, 12.15 am The Big Question.

ATV

9.20 am Something Different, 9.35 Bailey's Bird, 10.00 Afloat, 10.25 Sandokan, 10.50 Wild World of Animals, 11.15 Stars in Their Eyes, 1.20 pm ATV Newsday, 2.45 Fantasy Island, 5.15 Newsday, 6.00 ATV Today, 12.15 am ATV Newsday.

BORDER

9.30 am "Only When I Laugh," 11.25 Morning of the Day of Days, 1.25 pm Border News, 2.45 Houseparty, 3.15 Doctor Down Under, 5.15 Barney Roadster, 6.00 Border, 12.15 am Border News.

CHANNEL

1.20 pm Channel Lunchtime News, 1.30 News at One, 2.45 Fantasy Island, 5.15 Newsday, 6.00 Channel News, 12.15 am News and Weather in French, followed by Epilogue.

GRAMPAN

9.25 am Young Thing, 9.30 Young Ramsay, 10.25 Larry the Lamb in Toytown, 10.35 Chopper Squad, 11.30 Morning of the Day of Days, 1.20 pm News, 1.30 News at One, 2.45 Fantasy Island, 5.15 Newsday, 6.00 Grampian News, 12.15 am News and Weather in French, followed by Epilogue.

GRANADA

9.30 am Sesame Street, 10.25 Wednesday Matinee, 11.30 The Bubbles, 1.20 pm Granada Reports, 2.00 Live From Granada, 2.45 Family Fun, 3.15 Your Right, 5.15 Crossroads, 6.00 Granada Reports, 6.30 Happy Days, 12.15 am The Big Question.

ITV

9.40 am Kung Fu, 10.05 Vote For Gaudios, 11.30 Morning of the Day of Days, 1.20 pm Report West Headlines, 1.55 Dick Tracy, 5.20 Crossroads.

RADIO 1

(S) Stereophonic broadcast

5.00 am Radio 2, 7.00 Dave Lee Travis, 9.00 Simon Bates, 11.30 Peter Powell, including 12.30 pm News, 2.00 Andy Peebles, 4.20 Ed Jensen, including 5.30 Newsday, 7.00 John Peel, 8.00 Mike Read, 12.00-1.00 am Radio 2, 2.00-3.00 am With Radio 2, 10.00 pm With Radio 1, 12.00-1.00 am With Radio 2.

RADIO 2

5.00 am News, 5.03 Roy Moore (S), including 5.15 Pausa for Thought, 5.20 News, 5.25 Pausa for Thought, 5.30 News, 5.35 Pausa for Thought, 5.40 News, 5.45 Pausa for Thought, 5.50 News, 5.55 Pausa for Thought, 6.00 News, 6.05 Pausa for Thought, 6.10 News, 6.15 Pausa for Thought, 6.20 News, 6.25 Pausa for Thought, 6.30 News, 6.35 Pausa for Thought, 6.40 News, 6.45 Pausa for Thought, 6.50 News, 6.55 Pausa for Thought, 7.00 News, 7.05 Pausa for Thought, 7.10 News, 7.15 Pausa for Thought, 7.20 News, 7.25 Pausa for Thought, 7.30 News, 7.35 Pausa for Thought, 7.40 News, 7.45 Pausa for Thought, 7.50 News, 7.55 Pausa for Thought, 8.00 News, 8.05 Pausa for Thought, 8.10 News, 8.15 Pausa for Thought, 8.20 News, 8.25 Pausa for Thought, 8.30 News, 8.35 Pausa for Thought, 8.40 News, 8.45 Pausa for Thought, 8.50 News, 8.55 Pausa for Thought, 9.00 News, 9.05 Pausa for Thought, 9.10 News, 9.15 Pausa for Thought, 9.20 News, 9.25 Pausa for Thought, 9.30 News, 9.35 Pausa for Thought, 9.40 News, 9.45 Pausa 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Television

It's not always the real thing

by CHRIS DUNKLEY

Watching London Weekend Television's nineteenth-century costume drama *Why Didn't They Ask Evans?* was a bit like watching cricket in Hollywood: on the surface everything seemed spot-on with the detail looking even more meticulously authentic than in the real thing. As the event proceeded, however, a powerful feeling began to develop that beneath the immaculate exterior, something was seriously amiss, and in the end it became clear that the appearance was all: clothing, setting and props were faultless, as were the actions of the participants, but the very spirit was wrong.

There is, of course, considerable value in appearances. Give Francesca Annis perfect crimson lipstick and a couple of dozen couture frocks and hats and I will happily watch her climbing in and out of a Bentley tourer (in British racing green) for half the night. Take your cameras out to chocolate box locations, people the landscape with actors as good as John Gielgud and Joan Hickson, and I will remain amused for an hour at a time whatever they have to say. Add vintage aircraft and motorbikes to a veritable parade of old cars, and throw in a whole succession of beautiful English houses, and I will suspend critical judgment for a remarkably long time.

There are limits, however, even for those not willing to surrender themselves to such straightforward visual sensuality. If you attempt to extend the eyeball massaging session across 34 hours as *LWT* did. On the principle of breaking away from the boring and cowardly portion-control practised by television in which programmes are only available in shrink-wrapped packages of 30 to 90 minutes I am entirely with them. The trouble was that they chose to attempt the break with a work which—according to the grapevine—was originally intended for transmission as a serial, and it is just not good enough to offer the customer the contents of seven little blister packs all emptied out together, no matter how pretty the wrapping.

It might possibly have worked if the adaptation had been from one of Agatha Christie's very best efforts, though all her work is over rated. Since *Why Didn't They Ask Evans?* is very far from her best it is no great surprise to find it failing to sustain interest over all that time on television.

In a completely different subject area (though this week's programme happened to follow the Christie on to the air)

London Weekend again deserves a bouquet for good intentions but again a brickbat for the result. The idea of dealing regularly and openly with homosexuality was an admirable one, but in the event *Gay Life* has proved to be counter-productive. It has made the mistake of identifying so closely with the minority group who constitute its subject that it ceases to have any journalistic validity or indeed any use for the heterosexual majority of viewers (in the London area to which it is currently limited) and has been reduced to the level of one of those access slots which are used for massaging the egos of wounded minorities. Perhaps it was never intended to achieve anything more—in which case homosexuals would accomplish as much by forming groups to perform collective whistling in the park.

In one way the series usefully exemplifies a general trend within the broader and growing scope of social affairs television: by pushing its subject into a slot of its own where the matter is considered in isolation it projects a quite disproportionate sense of importance onto it. This more than anything contributes to that "bias against understanding" of which television was being accused some years ago, and it is time producers dropped the habit and started using a new, much more demanding and difficult approach in which analysis and distribution of responsibility would become more important than villain-spotting and condemnation. It might be called "social audit" after the consumerist technique, and I hope to return to the idea in a forthcoming column.

Saturday's live relay on BBC2 and Radio 3 of *Lucresia Borgia* from Covent Garden proved again that the relationship between real and televised opera is much like that between real and instant coffee: considered against a background of all the other choices the world has to offer the imitation is cunningly similar to the real thing, and has considerable value in its own right. But judged by anyone who has developed even an amateurish palate for the authentic article, the packaged variety is notable for its quality control, each successive serving being much like the last, and for the absence, even in live recordings, of the fresh-roast aroma and the caffeine kick of the real thing.

There are actually certain technical advantages to opera on a small screen, as I discovered on Saturday, watching



Eric Porter and Madeline in "Why Didn't they Ask Evans?"

the Prologue and Act II from the front stalls and Act I from the BBC's monitor in the theatre. For instance, the quality of costume design and the relationship between costumes and sets is much more quickly apparent from television than from the stalls. Television effects a miniaturisation much like the models that theatrical designers themselves use. By squeezing the red and gold of the d'Este palace in Act I Scene II into a flat luminous rectangle with a diagonal of only 26 inches, television immediately conveyed a sense of dense richness, as in a Holman Hunt painting, which felt much less definite in the theatre.

Television also offers the handy crib of subtitles which we non-linguists often wish could be projected along the edge of the stage in opera houses. (Even if they are sometimes laughable as in Saturday's "They're having a party" and the brusque Borgia response: "It'll be their last.") What's more, some performers are clearly favoured by the camera and acquire greater comparative impact from television. This was notably true of Stafford Dean who played Lucresia Borgia's husband and, while certainly striking on stage, gained more than most from being televised.

Above all, of course, hundreds

of thousands of people who might never even have come across an opera in earlier days are now able to watch a whole range of first class performances thanks to television and in particular the BBC. Yet there is no denying that for the true feel of grand opera, particularly in a baroque melodrama such as this with a performer of Joan Sutherland's calibre at its centre, nothing can truly equal the experience of being present in the theatre.

No doubt the same is true of other baroque melodramas such as the EEC summit in Dublin last winter, the difference being that in such cases you cannot buy a seat even at opera house prices. Yet thanks to producer Norma Percy and the Granada team television even managed to bring us what is by all accounts an uncannily accurate representation of that into our sitting rooms in the special World In Action *Mrs. Thatcher's Bill*.

Television can claim dreadfully few of its own techniques in journalism, virtually all its methods have been borrowed, some rather unsuccessfully, from newspapers or radio. But the technique of scrupulous reconstruction based on pooled "lobby" briefings from leading journalists which has been developed by Brian Lapping and Norma Percy, used here for only the fourth time in as many years,

is a genuine innovation and an impressive one.

You can be pretty sure that on the day they or their researchers (on this occasion Clare Lasko and David Ash) made a mistake and put the wrong words into a prime minister's mouth the balloon would go up and we should never hear the lost of it from the politicians. So far only the converse has occurred, with surprised ministers remarking on the amazing accuracy of the results; on this occasion the chairman Jack Lynch (the real Mr. Lynch) remarked on screen that the reconstruction was "very accurate and faithful to what happened."

Just as significant for the viewer with The Economist's Sarah Hogg steadily merging into the very persona of Mrs. Thatcher as she demanded her money back, it was engrossing viewing; more than can be said for the classic "Yes I did, No you didn't" bickering on precisely the same subject between Messrs Heath and Shore which was being broadcast simultaneously on *Panorama*.

Covent Garden

The Rake's Progress

by ANDREW CLEMENTS

Elijah Moshinsky's production of *The Rake's Progress*, intelligent and affectionate, has been brought back to the Royal Opera House eight months after its initial performance. Much of the cast remains the same. Robert Tear's Tom Rakewell—a look-alike to the young W. H. Auden, though the casually dangled cigarette is more suggestive than the side-parted blond hair—is boldly sung and generally well acted. He is too truculent, perhaps, at the opening, but gains perspective and sympathy in the brothel scene; thereafter he holds the true focus of the action, assisted by lucid presentation.

Patricia Johnson's Baba lacks some essential flamboyance and deals uncertainly with the patter of the doggerel; as Truelove, Robert Lloyes is sonorous but stiff and two-dimensional. John Dobson's Auctioneer remains a splendid cameo.

Though familiar from the Glyndebourne production, Felicity Lott is new to Covent

Garden. Her Anne Truelove transfers well to this conception. In which straightforward characterisation is rendered ambiguous. She lacks simple naivety and concomitant sentimentality, and her aria of decision in the first Act and her final lullaby to Tom represent the opposite poles, the first all intelligence and responsibility, the second in which love has its final despairing fling. Both are beautifully, effectively sung.

Donald MacIntyre's failure as Nick Shadow to engage attention to dominate the stage when the scenario demands it, is the most disappointing aspect of this revival. His direction is damagingly suspect; he begins efficiently enough but as the opera develops and distinctions between recitative and arioso are blurred, he loses focus and articulation. Much of the crucial graveyard confrontation must be taken on trust.

Maurits Silleen has taken over the musical direction from Colin Davis to no great distinc-

tion, neglecting rhythmic niceties and leaving wind phrasing to fend for itself. The choral work could have been tidier on Monday evening, though coherence improved through the performance.

It remains, none the less, an impressive, rewarding revival. Moshinsky's direction leaves few ends untied, tidies up corners of the libretto, and adds his own symmetries here and there: the boat in which Anne arrives in the first scene is a neat counterpoint to the boat about which she sings when soothing the insane Rakewell at the end; the most disappointing aspect of this revival, his direction, is damagingly suspect; he begins efficiently enough but as the opera develops and distinctions between recitative and arioso are blurred, he loses focus and articulation. Much of the crucial graveyard confrontation must be taken on trust.

Coliseum

Metamorphoses

by CLEMENT CRISP

Geoffrey Cauley's is a clear and individual choreographic voice. You do not mistake his ballets for anyone else's; their dramas—dynamic as much as emotional—are worked out against stripped-bare settings, which Cauley often devises himself (he has the painter's eye for the undecorated essential).

His career began in the late '60s, when his first ballets were cool, potent creations for the Royal Ballet's Touring company, which John Field directed. Since then he has worked mainly in Zurich and Florence, his *Last of Three* for Northern Ballet Theatre last year representing his first ballet in Britain for nearly a decade. With John Field now at the head of Festival Ballet, Cauley's welcome return has been made with his *Metamorphoses* (originally seen in Florence) given its first London performance on Monday night.

Cauley's theme is the constant flux of the dancer's life, of dance

form itself as it evolves in passages of choreography, of changes in emotional awareness, and the process of maturing implicit in all these matters. He has designed the ballet in a characteristically austere, blanché version of a dance studio, filled with amber light, and with vast photographic projections of bodies glowing warmly on the studio walls.

Patricia Ruane, in gleaming fleshings, is the central figure. Her movements establish a choreographic cell—a curling, almost Grahame-Smith sequence—which is amplified by 12 girls, clad in long silken skirts, whose movement enhances the choreography as much as do the skirts. The girls are like echoes, never blemishes of Ruane's dances, and also aspects of her work and life. A young man, the excellent Matz Skoog, appears. He seems an episode in her past, which she also contemplates through the dancing of Caroline

Humphston and Nigel Burgoine. The development of the choreography is always enhanced by the skill with which Cauley manoeuvres his cast: they seem dream-like figures caught in the amber of light and time. The only problem of the piece is that although Richard Strauss's *Metamorphoses* for string orchestra provides the right intellectual stimulus for Cauley, in that it deals with some of the technical problems which he tackles, it is a score of clogged textures, and it affords too little dynamic impetus for his writing. There resulted, for me, a feeling that at times Cauley was trying to impel the music along by every technical means at his command, lest the dances get trapped in a Sargasso of matted string writing.

Metamorphoses is a fascinating, allusive creation none the less; and Cauley's return to the British ballet scene is a matter for pleasure.

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3. To allocate the net profit;
4. To elect the directors and the statutory auditor in respect of their performance of duties during the financial year ended December 31st, 1979;
5. To elect the directors to serve until the next annual general meeting of shareholders;
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7. Miscellaneous.
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Nabucco

Last of the three productions in the current English National Opera North season at Leeds. Verdi's *Nabucco* is sung in Italian. Little is added by the oddly husky tape-recorded voice of Patrick Magee delivering, in English, the biblical quotations which adorn Verdi's score. What makes the story vivid is the imaginative and daring stage production by Steven Pimlott with scenery by Stefan Lazaridis. Nothing is more striking than the first entry of Nabucco (Nebuchadnezzar) himself—clothed and made-up as an image of terror, backed by a forest of impaled heads, surrounded by helmeted guards and illuminated by red spotlights visibly operated from four towers at the corners of the open stage.

Shouts, screams, moans and sighs supplement the singing, in a way calculated to scandalise those who come to opera through the sterilised purity of the gramophone record. To others, Mr. Pimlott's approach works with almost complete success through the final fall of the Babylonian idol is clumsy. The force and sonority of orchestral and choral tone achieved by the conducting of Elgar Howarth (a welcome newcomer to opera) add to the intense experience.

The opera becomes, as it should be, not an encounter of

voices but a conflict of peoples and beliefs. With considerable restraint Mr. Howarth keeps the underlying sadness of the Hebrews' chorus of exile, "Va pensiero," refusing to make a juicy meal of it. The Babylonians receive no less careful attention.

The sole non-British soloist is the Belgian baritone Camillo Mechior, lending a fine presence to the title-role. The voice is sympathetic and stylish, though sometimes inclined to wobble. John Tranter, the young bass who has been steadily building his reputation, was at first a little weak for the High Priest of the Hebrews, Zaccaria, but developed a noble power in later acts. In the crucial role of Abigaille, the King's supposed elder daughter, Milla Andrew sang sometimes beautifully, sometimes with unwelcome harshness, but never for a moment missed the violent passion of the character. Adrian Martin and Helen Walker capably sang Immaele and Fenena.

It is a production which should be also brought into the repertoire of the sister-company at the London Coliseum. Young Steven Pimlott seems set to stir and enrich our notions of operatic staging in something of the same way as Elijah Moshinsky has been doing at Covent Garden. **ARTHUR JACOBS**

Elizabeth Hall

Sequenze

Luciano Berio is a composer of modest performing pretensions—though actually no mean pianist—and a sensitive accompanist—who has taken advantage of the new generation of virtuosos, cutting from their discoveries what he needed for his music, and setting aside the rest. His list of eight *Sequenze* for different solo instruments, begun in 1958 and most recently added to in 1976 (though the list is by no means closed), is the distilled essence of this approach; and it was a splendid idea to bring them together on Monday night into a single programme, all but two of them performed by their dedicatees.

As a sequence they work very well; and as music they work beautifully. Each *Sequenza* is a short (between five and 11

minutes) but deceptive, richly-worked virtuoso étude which repays close study—and invitation not merely to consider new instrumental techniques, but to listen to a monody as if it were not a monody, but a far more complex piece of polyphony; to listen deep into the texture of a single line. Some are already well known to London; No. 5 for oboe, written for and much championed by Heinz Holliger; Cathy Berberian's marvellous third *Sequenza* for voice; the humorous No. 5 for trombone. But it was fascinating to discover new layers, new dimensions and colours even in these familiar *Sequenze*; and to find in others—notably those for harp and violin—such a wealth of subtle reference, close working, and fine sparkling colour. **DOMINIC GILL**



Charlie Drake as Ubu

Jeannetta Cochrane

Ubu by B. A. YOUNG

Little remains of Jerry's revolutionary play but the proper games and the outline of the plot. Fred Ubu is now a shop steward at Dagenham. His wife, without motive, tempts him to become King of Poland, and he goes back four centuries in a time-machine that looks like a lift. His subsequent adventures, charted by Spike Milligan with help from four more hands, Charlie Drake (who plays Ubu), Charles Marowitz (who directs), Chris Miller and C. J. Allen, are roughly in the vein of the Goons, though not one-tenth as funny, and decorated with a plethora of stale music-hall jokes which we are supposed to groan at rather than laugh.

Sample: there was this man arrested for having it off under Becher's Brook, and he asked, for 14 other fences to be taken into consideration.

hardly laughed at all. What am I saying? I didn't laugh once. Charlie Drake makes a listless, colourless little Ubu in his smart black-and-gold saloon doublet and hose, with a balloon floating from his crown. He throws away the last two or three words of each line as if he didn't care whether we hear them or not—a courtesy on his part, it may be. No one else offers anything in the way of a performance, unless you count as a performance the kind of knockabout you might see in a students' end-of-term romp, though Claire Davenport as a mountainous Mère Ubu is at least memorable.

There are three designers, Jack Barford, Charlotte Hampton and Kim Kenny, and between them they have turned out one or two nice backcloths to take our mind off the comedy. Malcolm Sircorn bangs away happily at the piano for the songs, by himself and Mr. Milligan.

FINANCIAL TIMES

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Wednesday April 2 1980

Africa needs the West

THE ONE-DAY meeting in Lusaka yesterday of nine black African leaders marks an important shift in their approach to South Africa. Although the group of southern African states made clear their continued opposition to the apartheid policies of their powerful neighbour, it was apparent that none of them had the heart for immediate confrontation. This display of realism has been forced on them by harsh economic realities. Ironically, the long struggle to replace the white minority regime in Salisbury has considerably increased their dependence on Pretoria. While southern Africa depends on South Africa's railways, ports, technicians, and food, it is in no position to provoke an open conflict.

Economic wounds

The aim of yesterday's summit was to encourage greater co-operation between black African States in order to wean the area off its dependence on South Africa. Countries like Zambia and Mozambique have suffered material damage from the conflict in Rhodesia and they need time to heal their economic wounds. Mr. Robert Mugabe, Rhodesia's prime minister designate, has made it clear that he will continue trading with the republic to help his country recover from the ravages of war.

But the longer term goal of the talks was to make black States in southern Africa strong enough to force change in South Africa—either peacefully or violently. The feeling against apartheid within black Africa still runs very high. Although even the most hardline States such as Nigeria and Tanzania might be prepared to delay confrontation until their fellow African countries are ready, they will not abandon the fight.

Dilemma

But in order to achieve the desired economic strength, Africa needs the West. The loud appeals for more aid which have been coming from the meeting pose a curious dilemma for the western aid donors. The short term advantage for the West is that giving more aid will weaken relations with the eastern bloc in such countries as Mozambique. But the end result of the aid might be to create a black Africa strong enough to take on

Pretoria with all the implications this would have for western economies in terms of South Africa's mineral reserves and western investment.

South Africa is well aware of this. Pretoria knows that its own survival is guaranteed as long as it remains the strongman in a southern Africa politically divided and economically weak. Although the idea of a "constellation" of southern African States under South African tutelage was buried beneath a welter of black African indignation, Pretoria still cherishes the notion that its own economic strength will ensure its survival.

However, on the political front, the inevitability of fresh elections in Namibia makes things look bleaker for South Africa, especially as there is a good chance that the guerrilla group Swapo will take a large slice of the vote even if it does not win complete control. Mr. Robert Mugabe's sweeping victory in Rhodesia has badly dented South Africa's confidence that a sympathetic black African government can be ushered into power in Windhoek.

Energy costs

It would be unwise, though, to suppose that the intentions of the black African States at the Lusaka summit can necessarily be translated into action. A lot depends on the ability of the countries to put their own economic houses in order—something many of them have conspicuously failed to do in the past. The parlous state of many black African economies will come under the spotlight later this month when the heads of state of the Organisation for African Unity meet in Lagos to discuss purely economic matters.

What the heads of state will find when they come to look at the figures is that many member countries are caught in the same vice of soaring energy costs and falling world prices for their primary export commodities. For many of these the difficulties are compounded by bureaucratic inefficiency and corruption. Until they can ensure good economic management at home, their high hopes of regional co-operation and determination to right the wrongs of fellow Africans are bound to remain unfulfilled.

Improving the postal service

THE CATALOGUE of failures presented by the Monopolies Commission in its report on the London postal service would be horrifying if it were not so familiar. Unfortunately the public is all too well aware of the steady deterioration in the quality of the service over the past ten years. Both the Government and the Post Office's own senior managers know that the causes of this decline lie in the sort of examples of union obstructiveness, local management weakness and short-sighted planning, which the Monopolies Commission has ably analysed.

Indeed, what is most striking about the Commission's report is that it is so familiar: over the past ten years three other official bodies have investigated the postal service and put forward much the same proposals for improved working practices, local productivity deals and mechanisation. Meanwhile, productivity in London has fallen by at least 20 per cent, even ignoring the decline in the quality of services.

Little change

In view of this dismal record of non-achievement, it is fitting that the Monopolies Commission should conclude its excellent report on a decidedly upbeat note, by pointing out "how little change has resulted from the repeated recommendations" of earlier inquiries. Every one of the Commission's 45 recommendations about specific reforms seems reasonable, constructive and worth pursuing further. But the Commission recognises that its proposals are worthless unless "the Post Office makes, and the Secretary of State ensures that it makes, a determined and lasting effort to carry them out."

It is at this point that the real dilemmas for the Government and for the senior management of the Post Office arise. The issues are highly relevant to several other nationalised industries which enjoy total or partial monopolies in their markets. The main achievement of the Monopolies Commission's present report, together with forthcoming reports on other nationalised industries, may be to focus Government thinking on the regulation of State monopolies in general.

On the one hand, it is now

STRONG NERVES, boundless energy, and lots of luck will be the three qualities most needed by the British Steel Corporation's managers in the months following the strike if the business is to be restored as a going concern.

It has been losing £17m a week during the strike and was losing £7m a week for more than a year before.

Certainly the energy will be there to press ahead with iron and steelmaking in the most efficient forms possible from the range of plant available. The luck factor is outside mortal control. The remaining, and important, question is whether nerves will hold.

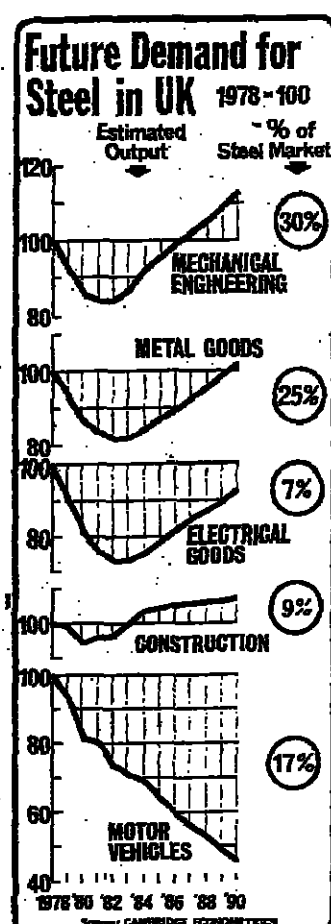
The fourth largest steel producer in the Western world has been out of the market for three months. Its competitors have not been idle during that time. Other steelmakers have catered for the overseas business that normally British Steel would have done in a January-March period—business worth more than £100m.

On the home front imports of steel have amounted roughly to £300m in value during the strike in spite of picketing attempts at the ports.

Some foreign steel suppliers have respected British Steel's plight and shown restraint in their trading with British companies. Indeed, some have channelled steel imports through the agency of the British Steel Corporation. But others have kept in with undisguised exuberance to fill the vacuum. A large shipment from Brazil was a glaring example of that.

IF THERE is any victor in the 13-week-long national steel strike, it is the non-combatant Government. While the British Steel Corporation and the unions fought, Ministers surveyed the battle from the hill-top. It became imperative for the Tories, facing the first industrial upheaval of their administration, to preserve ideological purity by refusing to intervene and to demonstrate to employers and unions everywhere that the Government's financial constraints could not be broken, however painful the consequences for bank balances, jobs and workers' living standards.

It is a measure of the Government's determination that the political character of the contest was quickly defused when the unions realised that the £450m cash limit on British Steel would be neither bent nor broken. Gradually the calls for Government intervention—at least as lender of last resort—died away. It is to Mrs. Thatcher's credit that she was strong enough to risk the charge of having intervened by listening to the unions' case one



Foreign steelmakers with established shares of the British market have consolidated their positions, demonstrating the quality of their products and the competitiveness of their prices. Other companies which previously had only a toehold in the British market have

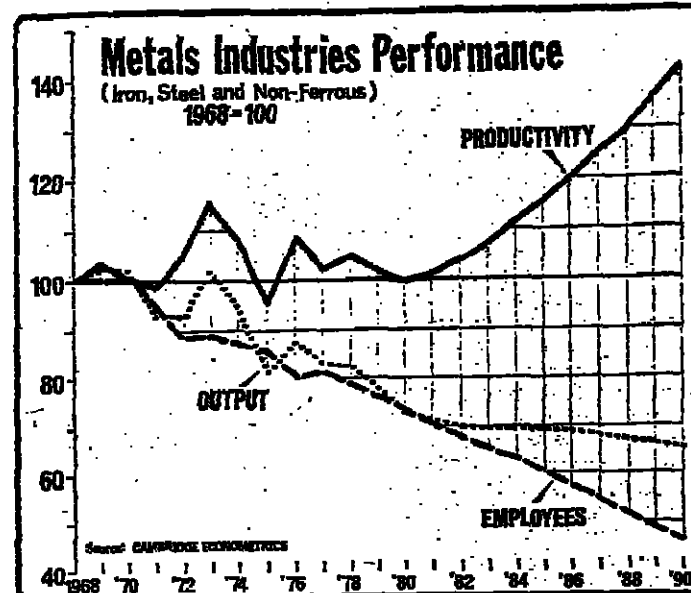
entrenched themselves more firmly.

In a world with the capacity to make at least 100m tonnes of steel more than it needs this year, not even the fourth largest steelmaker is owed a living. So British Steel is returning to production quite uncertain of the amount of business it can recapture at home and abroad after three months' absence from the market.

The corporation's traditional sales strategy for the home market has been to dominate in certain products with much higher market shares (sometimes higher than 90 per cent) than other Common Market producers expect to hold in their home markets. British Steel has been helped in that policy by having an island market. The cost of shipping some forms of steel by sea is high. The insularity of the British market has also enabled British Steel to charge between 10 per cent and 15 per cent more for its steel than ruling Continental prices.

But for British Steel to continue with two planks of strategy, market dominance and higher-than-average prices, after the strike will call for strong nerves indeed.

Mr. Gordon Sambrook, British Steel's commercial director, is a fighter by nature and the most aggressive salesman the corporation has had in its 12 years. His inclination will be to struggle to win back every tonne of business the corporation had in the home market before the strike. (Incidentally, a board decision has already been taken that British Steel's export business should be trimmed from 3m tonnes a year



downtrend in demand for steel in Britain.

Cambridge Econometrics has looked again at the metal-using industry using its model of the industrial economy. The conclusions are shown in the charts with this article. A continuing decline in output until 1981-82 is foreseen in industries accounting for nearly 90 per cent of steel usage in Britain. Four industries (mechanical engineering, metal goods, electrical goods and construction) accounting for more than 70 per cent of the industrial steel demand are expected to begin to expand production again after that.

No such recovery is foreseen for the motor vehicle industry which now represents 17 per cent of the steel market. Its decline is expected to continue right through the 1980s.

The corporation's pre-strike strategy for restructuring the industry involved cutting capacity from 21.5m liquid tonnes a year to 15m liquid tonnes a year and reducing the work force from 152,000 to 100,000. Latent capacity in the remaining iron and steel plants (which would be unmanned but readily available) was to be between 3m and 4m tonnes.

The poor outlook for home steel demand coupled with the partial withdrawal from foreign markets now suggests even that strategy will not be sufficiently radical to enable British Steel to make profits in the future.

If the fight to win back home market share is less than a complete success during the next 12 months further cuts in British Steel are inevitable.

Government's strategy is vindicated

By CHRISTIAN TYLER, Labour Editor

manpower in heavy steel cut by a third—over 50,000 jobs—by August this year.

In fact the first national offer was not 2 per cent but zero. The 2 per cent was the cost of fulfilling a promise made in the previous wage deal to consolidate pay supplements into basic rates.

British Steel had concluded that this year's earnings increase had to be paid for out of negotiated job losses and more efficient working down in the plants. But it underestimated the character of Mr. Bill Sirs, general secretary of the dominant Iron and Steel Trades Confederation, and the militancy of the men who stood behind him. Disillusioned, demoralised, and fearful for their jobs, they blamed management incompetence for British Steel's financial difficulties and were determined not to pay for the mistakes. Mr. Sirs and his new-found ally, Mr. Hector Smith of the small but powerful National Union of Blastfurnacemen, accepted the principle of a formal two-tier bargain—and indeed the paramount need to put their industry to rights. But they wanted a "reasonable" guaranteed

national increase to get things moving as well as to fulfil their function as chief negotiators for 100,000 members.

What has British Steel won? It has preserved the principle that the whole pay rise must be earned through higher productivity. It has maintained the point that a minimum bonus payment is conditional on the signing of local deals. A commitment to joint union bargaining at the works has been secured, and there is the prospect of considerable voluntary job losses in plants otherwise unaffected by closure plans. Above all, the corporation has emerged with an arbitrated settlement only 14 per cent (about £17m) more expensive than its own final offer two months ago.

British Steel's greatest penalty, Mr. Scholey has said, is that it can no longer claim to be one of Britain's most basic industries.

But apart from the commercial and financial loss (about £150m from the strike alone), British Steel has redoubled its employees' suspicions about the competence of its top

management, both as negotiators and as sellers of steel. Despite having all the logic on its side, British Steel failed to win the public relations battle and its accounting procedures have been thrown open to doubt. If the strike exacerbated divisions on the union side, so did it within the portals of Grosvenor Place—not so much between the temperamentally incompatible Mr. Scholey and Sir Charles Villiers, his chairman, but between the industrial relations practitioners and the chief executive.

Prediction fulfilled

As for the two main unions, they have fulfilled the prediction of Mr. Nicholas Ridley, the Tory MP who in a private report in 1978 ranked steelworkers as among those public sector employees least able to win a confrontation with the Government.

Even allowing for the fact that the ISTC gave three weeks' notice of strike—enabling consumers to add to already large

stockpiles of steel—it has taken longer than anyone would have guessed for a national stoppage to hit. The half-heartedness of the blockade by other trade unionists, in the UK and abroad, compounded this tactical weakness.

Almost from the start, Mr. Sirs and Mr. Smith were harried by leaders of some of the smaller British Steel unions officials for whom steel is only one part of life and who resent Mr. Sirs' imperious style of leadership. Powerless to affect the result, yet appalled at the way things were going, they justified their breaking of the ranks as necessary to "save Bill from himself."

The ISTC and NUB have emerged from the longest strike for decades with a face-saving third-party settlement—neither a victory, nor a defeat. Their members have lost £1,300 in wages on average which it will take years to recover, yet scarcely a voice was raised against the action. The Government and British Steel must now ponder whether the strike was the last throw of a demoralised workforce, or a dress rehearsal for next time.

MEN AND MATTERS

Ice makes cream for academia

The 90 academics who sat down in Cambridge yesterday for an earnest three-day conference on the Use of Icebergs perhaps chose an unfortunate date for hauling the subject into the realms of scientific respectability.

Yet the idea of towing icebergs to the arid lands of the world and melting them down for fresh water supplies (icebergs consist, not of sea-water, but of compacted snow) is not new, and has obvious and increasing attractions for countries like Saudi Arabia because of the high cost of desalination.

So the conference has a certain practical interest, not least for the academics who stand to make a steady living from the massive preliminary research involved.

One man there who is convinced it all makes sense, and who has already put up substantial funds, is Prince Mohammed bin Faisal bin Abdul-Aziz, Princeton educated son of the late King Faisal of Saudi Arabia. An enthusiast of Islamic banking, this slightly ascetic figure combines a near-messianic zeal for icebergs with a cool grasp of its practicalities.

His Paris company Iceberg International floated through these columns a year or so ago, and now as then the prince is looking for a firm order, not to mention \$2bn, after which he would be ready to tow his first full-scale iceberg within two years. He envisages collecting a lump of ice 5 km to 10 km square, towing it with one vast tug and the help of some sails into the Indian Ocean currents, then moving it to the Arabian Sea. There is would be cut up with jets of hot sea water, and the manageable pieces moved to such places as Jeddah and Dammam.

Once proved, he thinks, the technique could meet the needs of Australia, India, East Africa, and indeed anywhere thirsty with a coastline.

The academics nod wisely at



all this and talk of at least three or four years of steady research before it would be worth making a trial tow.

Trump card

Not content with introducing the Chinese to Coca-Cola, Western entrepreneurs are now busy slipping plastic money under what remains of the Bamboo Curtain. MasterCard in New York has been crowding to me about its success in penetrating Shanghai—although, when pressed, a spokesman admitted acceptance was restricted to "major hotels, and there are only two or three," cash advances from the Bank of China, and the Friendship Store. Next stop, says MasterCard, is Peking.

Hard on MasterCard's heels are many others, not least among them the giant Visa organisation. "All Visa cards are accepted in China without any discrimination," I was told by Visa's office in London. No doubt the affiliated Barclaycard goes down well at the Friendship Store, but how about Visa's latest affiliate, the Taiwan Credit Card Company? All

Visa cards are accepted in China without any discrimination," repeated the man from Visa a trifle tersely.

Silly question

A friend trying to manoeuvre his car into a parking space in Andorra last week spotted a policeman coming towards him. "Good morning, officer," he said in his best French. "Is it that it is all right to park here?" "No sir," said the policeman. "You are joking," said my friend. "There are cars parked all along this street." "That is true," said the policeman. "But they didn't ask."

Paddy come home

"I have no doubt there are Englishmen working in Ireland who have a feeling they would like to get back to the old sod over here," says Gerry Lowe. "Well, that's the sort of feeling we are looking for among the Irish in Britain." He is, however, looking for more than simple nostalgia.

Field contact officer with the Shannon Free Airport Development Company, Lowe is in London this week courting entrepreneurs and skilled men to take their businesses and expertise back to the west of Ireland.

Those with the right qualities—the essential one is that they are Irish—succumbing to his blandishments, can expect to return to all the comforts the Government can supply in the counties of Clare, Limerick, and Tipperary.

Grants covering up to 50 per cent of repatriates' fixed asset investment are on offer, along with cheap rents in new factories, free training and tax concessions on export profits. "Holding them by the hand is important," says industrial projects man Pat Hyndes. "We people we have in mind will probably have been in Britain for ten or 15 years and they will be going back to a strange environment."

By yesterday lunchtime, only 24 hours into the entrepreneur hunt, more than 30 inquiries had been received at the company's temporary camp in the Tara Hotel, and a dozen success stories had been logged.

Off-key

It seems that, in my well-meant efforts to stir interest in the London Sinfonietta's attempt to raise £100,000 backing for its 1981 Stravinsky Festival, I was overwhelmed by an attack of foot-in-mouth disease. Trouble with raising money and "sorry" letters have been experienced only in fund raising for the orchestra's general aim of popularising 20th century music.

As shown by the success of the 1979 Stravinsky gala, for which £60,000-worth of backing was raised in only a few months, this composer's music is highly popular. Since work has only recently started on garnering the funds for the 1981 affair, and has already rounded up £10,000, I may have overdone the gloom.

Once aloof

Proof that the City's jungle telegraph is as well connected as ever, and confirmation of my worst fears about the gullibility of some of its users as well as the appalling standard of wit in the Stock Exchange comes from a prankster broker who spent yesterday morning whispering in carefully selected ears.

"You want to have a bit of...," he muttered, adding the name of a company variously described as a tea planter or an Indonesian mining house. "We had dozens of calls," he told me, choking with mirth. "Institutions—you know, the usual mix—were phoning in, saying 'wanting thousands of shares in Looifipa. And Bishopgood Bishop,' he giggled, "even had it on their features board." End of Joke.

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مكتبة الخليل

New powers to enforce competition

BY DAVID CHURCHILL, Consumer Affairs Correspondent



Mrs. Sally Oppenheim: the veto is exceptional.

breakdown of communications. Outside consultants will not normally be employed, unless special technical problems arise.

As the OFT completes its report, it will check the factual parts with the company to ensure accuracy. But the conclusions will not be discussed with the company although, as a matter of courtesy, they will usually be made available to the company some 24 hours before publication.

The OFT report is required to describe in detail the particular course of conduct, specifying the persons, goods or services concerned, and then stating with reasons, whether the activity is anti-competitive or not. The requirement to give reasons is a departure from the OFT's usual silence when recommending monopoly investigations. But the OFT does not have to decide whether or not the practice investigated is against the public interest—that decision is left to the Monopolies Commission.

There are three possible options in the OFT's report. If the practice is not anti-competitive, no further action follows. Even if it is found to be anti-competitive, then the OFT may still decide that it does not need to be referred further to the Monopolies Commission. This may happen if the practice is of little account or has already been discontinued.

The third possibility is reference to the Commission. A reference cannot be made until at least four weeks after the report has been published. Nor may it be referred once eight weeks have elapsed (or 12 if the period is specially extended by the Trade Secretary). During those one to two months after the report is published the OFT can respond to—but does not have to seek—any representations made by the company concerned.

Companies may decide, rather than face further investigation, voluntarily to abandon the anti-competitive practice and give an undertaking to the OFT to this effect.

If no undertaking is offered, then a Commission investigation will almost certainly follow. If a company subsequently fails to keep to the undertaking, then the OFT can refer the case to the Commission without need for a new investigation.

When a company is referred to the Commission, the OFT cannot extend the terms of reference from those originally laid down. But it can, in the light of experience, make it a narrower reference. The Secretary of State again has the right of veto within 14 days of the reference being made.

The Monopolies Commission, with a larger investigation team than the OFT, will have to cover in greater detail much of the area already briefly probed by the OFT. It will have to confirm that the conduct described by the OFT actually took place within the previous year, and that it was anti-competitive. The Commission, however, is unlikely to contradict the OFT's findings.

Public interest

The Commission comes into its own in having to take a view as to whether the anti-competitive practice operated—or operates—against the public interest. In making up its mind, the Commission will take into account various factors. These include the need to promote effective competition; promoting the interests of consumers and other customers over prices; promoting lower costs and new techniques; maintaining a balanced distribution

of industry and employment; and maintaining exports.

The crucial point is that there is not statutory assumption that a practice which restricts competition is automatically against the public interest. It is up to the Monopolies Commission to decide if the harmful effects are outweighed by the beneficial effects in other areas. (Much the same applies to the Commission's examination of mergers.)

The Commission has six months to complete its investigation although this can, on request, be extended by the Trade Secretary to nine months. Judging by its inactivity in the past, the Commission is likely to need nine months for an investigation before it adjusts to the faster tempo of the new investigations.

If after the six (or nine) months the commission concludes that the practice referred to it does not operate against the public interest, no further action will follow, and neither the Trade Secretary nor OFT will be able to challenge the commission's conclusions. But if the practice is found to be against the public interest then the commission will recommend how it should be abandoned. The Trade Secretary will normally ask the OFT to seek an undertaking from the company to implement the recommendations voluntarily. Should the company refuse, then the Trade Secretary can use his statutory powers to force the company to obey.

Once the OFT and Monopolies Commission become fully geared up for the new competition investigations it is envisaged that the number of probes a year could total at least 30 which would create a unique comprehensive study of limits to competition in British industry.

BRITISH INDUSTRY may get a far more pleasant surprise once the Government's new Competition Bill, which is to become law this week, is fully implemented. It gives the Office of Fair Trading the right to investigate the trading practices of almost any company which it suspects may be operating in a way calculated to prevent or distort competition.

The Monopolies and Mergers Commission would be asked to determine if any anti-competitive practice is against the public interest and, if so, would have the power to recommend that the practice be abandoned. The Secretary of State for Trade will have extensive powers—including the power to order a company to cut its prices—to enforce compliance with the Commission's recommendations.

About 20 companies are at present on the OFT's short list for potential investigation. Once certain enabling orders are laid before Parliament, about 100 companies will be in the first batch for investigation. The final selection has not yet been made and is unlikely to be announced for several weeks. But some clues to the OFT's current thinking have already become clear.

Part of the car industry are a prime target for inquiry especially component distributors and transporters of finished cars to retail showrooms.

Manufacturers of consumer goods such as video and audio equipment, watches, and sports goods, which are allegedly refusing to supply cut-price retailers—including the Tesco and Argos store groups—may also be among the first to be probed.

Other sectors known to be under examination include suppliers of glasses through opticians. But virtually all sectors of industry are being looked at. It is likely, however,

that the OFT will pick one of the market leaders in an industry to investigate, even if several companies are carrying out an allegedly anti-competitive practice. It also seems likely—although this has yet to be decided—that only companies with a turnover of more than £5m a year or with more than a quarter of the market will be liable to investigation. The same thresholds apply to monopoly investigations.

In general, anti-competitive practices likely to prompt an investigation include pricing policies such as "predatory" pricing intended to head off potential competitors or to force existing competitors out of the market. Tie-in sales, where one product cannot be bought without another, are also likely to be investigated, as is "full-line forcing" when a manufacturer insists on his customers taking a wide range of his company's products. Other potentially anti-competitive practices include "loyalty" discounts or rebates designed to discourage customers from seeking alternative sources of supply.

Rail probe

The new Competition Bill also covers the nationalised industries and the commercial activities of local authorities. In fact, the Government has already announced that British Rail's south-east commuter services will be the first to be

probed by the Monopolies Commission under the new law. The OFT is also considering investigating the "unfair trading advantages" of High Street electricity board showrooms. For instance, there are allegations that revenue from the sale of power subsidises the premises used for sales of equipment.

The legislation is seen as being complementary to existing competition policy which includes monopoly and merger

either to lodge complaints, or to give details of possible anti-competitive practices.

The OFT will carry out preliminary inquiries about the facts and circumstances surrounding the complaint. It also wishes to ensure that the company complained about is given ample opportunity to put its case at an early stage. After this informal preliminary stage, the OFT's first formal step will be to issue a notice to the company under investigation setting out the precise terms of reference. The OFT cannot extend them at a later stage without an entirely new investigation being started.

The OFT has a duty to publicise the fact that it is making an investigation—including

advertising for information—as well as a duty to inform the Trade Secretary. He has the power, within 14 days of receiving the notice, of vetoing the investigation. However, Mrs. Sally Oppenheim, Consumer Affairs Minister, made clear in Parliament that a veto would be used in exceptional circumstances only.

Assuming there is no veto the OFT has to complete its investigation as soon as possible, although it is unlikely to take less than three months. In practice a small team of, say, three officials will be set up, from a pool of around 30 responsible for such investigations. One of the team will be liaison officer with the company concerned, to avoid any waste of time and

Letters to the Editor

Agricultural policy

From Mr. G. Colburn.

Sir,—The Government faces a dilemma in deciding food and agricultural policy. The vast of funding surplus production within the EEC accounts to a large extent for the size of the total contribution required from this country towards community funds. Yet if attempts are made to restrain output by increases in commodity prices which are fixed at much lower levels than average European rates of inflation there is reason to believe that the British agricultural industry will suffer more severely than most its competitors in Europe. Our rate of inflation is high, interest rates are high and the structure of British agriculture is such that a continued cost price squeeze is likely to have a more rapid effect on output in this country than elsewhere.

It is essential for the health of the whole economy that the present level of food production in this country should be maintained or improved. Not only is the agricultural industry an efficient user of resources but the spin-off into other sectors is of immense importance to our slow growth economy. If farmers cut costs and reduce output all the ancillary industries will suffer and there will be further strain on the balance of payments.

The difficulty of paying for surplus production within the EEC remains. It is unlikely to be alleviated quickly by any price squeeze that would be tolerable politically. In these circumstances there is a long term and a short term approach to the problem. In the long term it is important to understand that Europe is one of the most favourable areas of the world in which to produce the extra food that will be required within the next decade or two. There is need, therefore, for a vigorous effort to negotiate long term agreements for the supply of European food in exchange for other natural resources such as oil, minerals, timber and also perhaps for manufactured goods from some emerging countries.

It is important that short-term policies should meet three criteria. They should not affect long-term productive capacity, they should not increase unemployment, and they should not have adverse social effects in rural areas. Unduly onerous control of prices sustained for long enough to reduce output in Europe would do each of these things. In most countries, it seems possible, therefore, that solutions designed to directly restrain inputs into agriculture would ultimately be less costly, and that pricing policy should be sufficiently flexible not only to allow this to happen but also perhaps to make possible a small and gradual change in the post-war strategy for agriculture which has encouraged the replacement of people, who are plentiful, with capital and energy, both of which are expensive and scarce.

By itself the soil of Europe is not capable of producing surplus food for the present population. With the addition of oil via nitrogen, with proteins from scarce fish and from beans grown elsewhere, it can do so. It may be that the quickest, easiest and ultimately least costly way of reducing surplus food stocks would be for the Commission to purchase, or subsidise, the non-production

of a small percentage of surplus inputs rather than large quantities of surplus output. Price increases for some commodities would be necessary to make this possible. There is reason to believe, however, that these would be less costly than the present system, if the contribution to total economic activity were to be taken into account.

O. H. Colburn, Northleach, Nr. Cheltenham, Glos.

Index-linked pensions

From Mr. D. Blair.

Sir,—It is a matter for regret that so many correspondents seem to ignore reality in considering the question of index-linked pensions in the public sector.

Mr. Peter Platt (March 26) is the latest in a long line to assert that civil servants somehow pay for their own pension increases during their working lives. This is no more true than the alchemist's dream, otherwise insurance companies would be vigorously marketing fully index-linked pensions.

As civil service pensions are totally unindexed, Mr. Platt is wrong to state that civil servants relied on the wise investment of pension fund managers to offset some of the ravages of inflation. As for the assertion that civil servants receive "poor salaries in unrewarding Government service," one is left to contemplate what Mr. Kendall and his trades union colleagues have been doing during the past decade or so.

Mr. Banks-Jones in his letter of the same date is guilty of a common error and he should know better. The cost of a pension is simply not the amount paid out in the first year. His idea of a national insurance contribution rebate, the amount that would need to be clawed back, using his example, is not £75,000 but more like £600,000, i.e. 40 per cent of the national insurance contributions paid by the employer in that year. His approach would be successful only if there were no subsequent pension increases, for only then would the rebate diminish in future years.

It is unrealistic, however, to assume that inflation will disappear after the first year; thus the rebate would grow significantly from its initial 7.5 per cent level. It follows that, to avoid the build-up of a huge deficit, national insurance contributions would need to rise substantially to meet the higher and higher rebates required to cover the cost of financing more index-linked pension increases—but isn't this where we came in?

Northern College

From the Director, Sheffield Chamber of Commerce

Sir,— "Men and Matters," March 21, referred to the opposition to Northern College by the Sheffield Chamber and on March 26 a reply by the principal was published. May I clarify briefly the view of this Chamber?

This Chamber opposed the opening of Wentworth Castle as a college and believes it should be closed on the grounds of cost. It is far more expensive to maintain and the Northern

College is far more expensive per student than would be the case in the colleges of further education or the polytechnic, where there is ample accommodation available.

The training of trade union officials is extremely important to industry and to the country. In our view, trade union officials and trainee managers should be trained together in the same college and attend the same lectures. This is also the view in the Russell report. Northern College has always refused to accept this principle and thus perpetuates the "us and them" syndrome.

It is important for both trade union and management trainees to live and mix with students of other disciplines in a college environment.

The isolation both physical and educational, of Northern College, and its policy against joint training ensures that training cannot be carried out effectively.

The one-year and two-year residential courses for "gateway and liberal studies" which are (quote) "designed to meet the special needs with a view to making a major change" are totally unjustified. A ten-week course would be more than adequate.

We have never commented on the inclusion of Mr. Arthur Scargill on the council of management. We did, and we still do, protest that only one side of industry is represented. There should be a proper balance of trade unions, management and academics.

We strongly urge that Northern College be brought into the normal education organisation, either within the colleges of further education, or a polytechnic. It is unlikely to succeed or be acceptable to industry until this is done.

Douglas Iveson, Sheffield Chamber of Commerce, Commerce House, East Street, Sheffield

A private landlord

From Mr. C. Jones

Sir,—The correspondence in your valued paper on the plight of the small landlord prompts me to write to you on my own experience. I am a 75-year-old pensioner, living on my own on a pension of £23.52 a week. It so happens that I own just one house, apart from the one in which I live, which back in 1940 was let at £1 a week. That house which was built in 1938, is a semi detached of six rooms, tiled bathroom, toilet etc., and with every amenity. It is most pleasantly situated with a local park behind, with beautiful trees etc. The rent is subject to review by a rent officer and at the present time I have a rent of £8.25. Later in the year (in November) I am entitled to an increase of 66p a week. On the basis of the changed value of money I think I should get a rent of £17-£20 a week.

I have to pay present prices and rates of pay for maintenance. Hardly justice here. I can assure you if at any time the property becomes vacant it shall never be let again. At the time while I am to get an increase of 66p the local council is increasing its rents by £1.75p a week.

Recently a young friend of mine, a single lady (who I gather earns about £70 a week) moved into a flat for which she

Tax on high profits

From Mr. S. Penwill

Sir,—Advocates of taxation of what they regard as excessive profits of banks and presumably other businesses, excluding, of course, the Post Office and electricity and gas Boards, have apparently had no practical experience of excess profits tax or excess profits levy which taxes were imposed during and after the last war at rates of up to 100 per cent. At that rate a small part became in effect repayable conditionally but only part and that many years after.

The computation of those taxes was extremely complicated and consumed a great of time of both the Inland Revenue and the taxpayers or their professional advisers, the latter being naturally extremely well remunerated for their services, excessively so in some cases.

In fact advantage was taken by the companies involved to include in all kinds of extravagant but tax allowable expenditure, the argument being that money not spent on redecorating premises, refurbishing, etc. and abnormally high bonuses, cost nothing as it would otherwise be lost in taxation. This was of course in itself inflationary, as will be the suggested payment of interest on current accounts, which however would be welcomed by many.

The advocates are I suspect not activated by a wish to increase the national well being, but rather to punish the wicked capitalists. The solution is much more simple—it is to remove the cause of the excess profits.

S. W. Penwill, 158, Fenchurch Street, EC3.

By night to Paris

From Mr. A. Burkhitt

Sir,—If British Rail is telling people that a return ticket on the night ferry to Paris costs £128.90, it is no wonder the service is having to close down. An ordinary 72 hour excursion—more than enough for most journeys for business or pleasure—plus a supplement for the sleeping car brings the total return fare to no more than £66.35.

But there is possibly an even more serious reason for the lack of business. Most travel agents do not carry the necessary Wagons-Lits tickets and therefore can only book passengers with several days' notice.

British Rail refuses to take bookings by telephone, and the only quick way to reserve a berth is to go in person to Victoria or another Continental travel centre.

Alan Burkhitt, Flat 3, 9, Spenser Road, Herne Hill, SE24.

Today's Events

GENERAL
UK: Defence White Paper published.

British Rail pay talks, London.

Meeting of steel industry craft unions' leaders.

National Economic Development Council meets, London.

Financial Times conference on the future of sugar, second day, Grosvenor House, W1.

Sir Hector Laing, United Biscuits (Holdings) chairman, presents management game awards, Hilton Hotel, W1.

Prof. G. Angelino, Politecnico di Milano, presents a paper on the performance of nitrogen trioxide gas cycles for solar power applications, Institution

of Mechanical Engineers.

International Show Jumping Championships open, National Exhibition Centre, Birmingham (until April 6).

Sir Peter Gadsden, Lord Mayor of London, visits Thames Water Authority's sewer at Drayton's Park, Dept. NS.

Overseas: Two-monthly gold auction, New York.

PARLIAMENTARY BUSINESS

House of Commons: Consideration of Lords Amendments to the Education (No. 2) Bill.

Remaining stages of the Limitation Amendment Bill.

House of Lords: Debate on Liberal motion on the Budget and its effects on the social, economic and industrial life of the nation.

Select Committees: Scottish Affairs (Room 5, 10.30 am, 2.30 pm); Foreign Affairs (Room 15, 11 am); Treasury and Civil Service (Room 8, 11 am); Employment (Room 14, 4.45 pm); Transport (Room 15, 4 pm).

OFFICIAL STATISTICS

Capital issues and redemptions (during the month of

March). United Kingdom official reserves (March).

COMPANY MEETINGS

Aaronson Bros, Savoy Hotel, WC, 12. Allied Textiles, Highbury, 12. Huddersfield, Yorks, 11. Bath and Portland, 20.

Manvers Street, Bath, 12.

Hoover, Perivale, Greenford, Middx, 10. Lonsdale Universal, St. Eastern Hotel, EC, 12.

Marchwell, The Grosvenor Hotel, Chester, 12. Securicor, Eccleston Hotel, Eccleston Square, SW, 12.

Security Services, Eccleston Hotel, Eccleston Square, SW, 12.

Wm. Whittingham, Metropole Hotel, Nat. Exhibition Centre, Birmingham, 12.

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2/4/80

UK COMPANY NEWS

Cape marginally lower after mining side sale

AFFECTED by the June sale of its mining division and a sharp downturn in the contribution from the automotive and engineering divisions, 1979 taxable profits of Cape Industries, a subsidiary of Charter Consolidated declined marginally from £12.73m to £12.48m.

When reporting profits up from £5.5m to £6.21m at midway, the directors said it was their objective to replace profits lost through the sale of the mining division as quickly as possible. They expected that overall this would be achieved in 1979.

They now say that the automotive division had a disappointing year, sales of friction materials being particularly affected by national strikes and difficulties in the UK vehicle industry. Margins came under pressure and trading profits fell substantially.

However, the building and insulation side of the business made strong progress against a background of little growth in the construction industry but healthy demand for insulation products and services, and its trading profits improved by 38 per cent.

The sale of the mining division has resulted in a greatly strengthened balance sheet and in less than 30 per cent of the group's current trading profits being dependent on asbestos.

A breakdown of turnover of £203.78m (£130.28m) and trading profit £14.82m (£15.06m) shows (£000s omitted): building and insulation £136.006 (£104.343) and £12.051 (£8.704); automotive and engineering £57.070 (£51.592) and £1.230 (£2.175); mining—to June 29, 1979—£11.134 (£25.663 for all 1978) and £1.534 (£4.175).

Stripping out the mining division, group turnover for the year increased by 24 per cent.

Pre-tax profits were after unallocated central charges of £446,000 (nil) and interest £2.05m (£2.47m), and included £165,000 (£147,000) share of associates.

After tax of £1.66m (£2.2m), minority losses of £5,000 (£14,000) and extraordinary debits of £355,000 (£520,000), the attributable balance advanced from £10.03m to £10.48m.

Stated earnings per 25p share

HIGHLIGHTS

A controversy is building up in the City's banking community following the publication of the Bank of England's proposals on liquidity. Lex explains the issues and also looks at another major controversy concerning the much criticised Saint Piran company which is now the subject of a lengthy report from the Take-Over Panel. Elsewhere Lex looks at the position of Rael following the success of the offer for Decca which went unconditional yesterday and at the severe shortage in the money markets following the exhaustion of the long tap. On the inside pages Energy Finance and General Trust has come to the market with a placing of 1m shares. Barratt, the housebuilder, reveals a \$12m deal in the U.S. to acquire American National Housing Corporation. Other companies of note include H. Brammer, Charterhall, Cape, Desoutter and Unicorn.

rose from 43.9p to 45.1p and the final dividend is 7.3p for a 11.2p (9.2443p) total. Some £7.8m (same) was retained.

comment

The sale of the mining interests has saved Cape around £1m in interest charges but this has by no means compensated for some £2.7m in lost earnings and, on a comparable basis, profits before tax are over 11 per cent higher. This is still slightly disappointing and the shares were marked down 4p to 22 1/2p yesterday.

Industrial disputes cannot fully account for the dramatic decline in profits from the automotive and engineering divisions where trading margins are now a wafer thin 2.2 per cent. Once again, the building and industrial operations have saved the day, contributing 81 per cent of profits over the full year. The prospects here remain encouraging and the division will benefit from a £5m investment programme this year. At the same time, the engineering side is being rationalised and has plenty of scope to improve its contribution. The p/e of 4.5 after the published rate of tax, does not therefore look excessive, particularly given the strengthening of the balance sheet. The mining sale has halved net gearing to 17 per cent though this will creep up a little in 1980. Dividends are covered twice on a CCA basis and produce a yield of 7.5 per cent.

Titaghur losses reduced

A STATIC second half at Titaghur Jute Factory company has left pre-tax losses for the year ended June 30, 1979, down from £1.26m to £777,389. Turnover fell by over £5m from £27.7m to £21.48m.

At halfway the loss had been reduced to £234,000 against £715,000. There was a profit on UK operations, albeit lower at £24,431 (£113,431) for the full period, but the Indian operations incurred losses of £811,620 compared with £1.8m, after allowing for possible losses on forward contracts.

In January directors said they expected the Indian operations to earn useful profits during the 1979-80 year. For the first five months profits have amounted to over £2m.

There was no tax charge for 1979-80, against £3,918 credit, and there was an extraordinary credit of £973,702 (nil). Minority losses amounted to £4,473 (£5,878). A deficit per £1 share of 56.6p (59.9p), is given, before the extraordinary items.

Brammer passes £6.4m at year end

A YEAR of continued growth is reported by H. Brammer and Co. with pre-tax profits for 1979 over 17 per cent higher at £6.41m, against £5.47m, on turnover up 23 per cent to £39.14m.

Profits of this replacement bearings, power transmission and rubber products group, has risen from £2.53m to £2.95m in the first six months.

The growth and profitability of the company's major investment in industrial distribution and services continued strongly and more than offset the deterioration in UK manufacturing profits due to industrial strife.

The recent investment in the U.S. Pope Machine Inc. progressed very well with a profit contribution well in excess of directors' expectations.

Stated earnings per 20p share were up from 17.3p to 18.9p and the dividend total is raised to 5.5p (adjusted 5p) net, with a final of 3.7p.

| | 1979 | 1978 |
|-----------------------|--------|--------|
| Turnover | 39,140 | 31,721 |
| Trading profit | 5,474 | 5,047 |
| Net interest received | 420 | 275 |
| Profit on non-trade | 118 | 48 |
| Inv. sale | 6,410 | 5,470 |
| Taxation | 1,748 | 1,555 |
| Net profit | 4,664 | 3,915 |
| To minorities | 120 | 73 |
| Extraord. debits | 180 | 180 |
| Exchange losses | 4,394 | 3,840 |

comment

For a company with such close links to the engineering sector Brammer has an enviable profit record. This is basically because it is a supplier of specialised transmission components to the replacement market, which has been far more active than original equipment. During 1979 this side of the business continued to expand although the engineering strike took a hefty bite out of the profits of the smaller UK manufacturing operation, particularly Russell's Rubber, which has a high exposure to the automotive industry. Meanwhile there is £5m of cash following the recent rights issue. Proceeds were originally intended for the acquisition of the Morse Chain division of Borg-Warner which fell through. Brammer is clearly in an acquisitive mood and would

probably prefer to look again at the U.S. The most likely target would be a company with activities complementary to those of Pope, a spindle maker bought for £1.5m last year. Current conditions are far from easy but Brammer should be able to continue its growth trend. At 138p the shares are on a p/e of 7.2 while the yield is 5.8 per cent — a fair enough rating for a distribution business.

Exceptional debits hit Wace

STRUCK AFTER a sharp increase in exceptional debits from £9,500 to £86,700, 1979 pre-tax profits of Wace Group, printing industry supplier, were lower at £318,000, compared with £340,100 previously. Turnover, however, improved from £3.26m to £5.7m.

Comparatives exclude pre-acquisition sales and profits of Gee and Watson for the period from January 1 to September 18, 1978. First-half profits had risen from £156,500 to £175,400. The final dividend is 1.8p net, compared with a forecast of 1.65p made in September at the time of the £285,000 rights issue. This brings the year's total to 3p per share, against 1.3185p adjusted for last year's one-for-three scrip issue. Earnings per 20p share are stated at 8.15p (6.86p). A one-for-four scrip is also proposed.

Tax charge was down at £98,500 (£155,100) and after minorities and extraordinary debits amounting to £4,900 (£56,100), attributable profits for the year emerged ahead from £144,900 to £214,700.

The board states that the benefit of substantial investment in new equipment was not received during the year as heavy depreciation and interest charges relating to the equipment outweighed contributions to profits. Full benefit, however, will be received in 1980.

Unicorn profits lower in face of difficulties

A NUMBER of factors have contributed to pre-tax profits of Unicorn Industries, industrial holding company, falling from £7.43m to £6.52m in 1979.

The acquisition of Craelius AB resulted in interest charges increasing from £1.04m to £1.8m; about £400,000 was taken for redundancy payments; the group suffered severely from strikes, particularly in the UK, which are estimated to have reduced profits by £1m. Another factor contributing to the profit shortfall was a weakening in the demand for diamonds during the latter part of the year.

Profits at halfway were little changed at £3.52m (£3.46m).

Lower tax charges of £2.63m against £3.61m, resulted in earnings being slightly ahead at £3.7m against £3.78m after minorities, while stated earnings per 25p share are down from 18p to 14.1p, due mainly to the dilution resulting from last year's rights issue.

Looking ahead, Mr. Brian Ball-Greene, chairman, says the national steel strike has inevitably had an adverse effect on some, though not all, of the group's UK operations, while most of the international markets served, if not in recession, are certainly not buoyant.

He says that other activities such as oil drilling and mineral exploration are counter-cyclical, and expansion is sought in these areas. It is planned to take into new markets the products of recently acquired companies which have technical advantages not available before.

In the absence of further

DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corr. of spnding div. | Total for year | Total last year |
|----------------------|-----------------|-----------------|-----------------------|----------------|-----------------|
| American Trust | 1.25 | — | — | 1.25 | 1.55 |
| H. Brammer | 3.7 | — | 3.8 | 5.5 | 6* |
| Cape Inds. | 7.3 | May 29 | 5.97 | 11.2 | 9.24 |
| Desoutter Bros | 4.5 | May 15 | 3.89 | 7.2 | 8.16 |
| Laurence Gould | 23.83 | May 15 | 0.84 | 42 | 17.59 |
| Inall Inds. | 0.74 | May 23 | 0.87 | — | 2.06 |
| Law Ltd. | 0.75 | July 8 | 0.6 | 1.25 | 1.1 |
| Silke Helle | 1.15 | — | 1.15 | 1.15 | 1.15 |
| Silkstone Lubricants | 3.85 | May 15 | 1.82 | 5 | 2.54 |
| Southampton Steam | 9.5 | May 21 | 7.75 | 13.5 | 11.25 |
| Unicorn Inds. | 4.64 | — | 3.91 | 7.14 | 6.06 |
| Wace Group | 1.8 | — | 0.78* | 3 | 1.32* |
| Watts, Blake, Bearne | 2.3 | — | 2 | 3.6 | 3.13 |

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Includes non-recurring payment of 0.07272p.

strikes, energy crises and deeper recessions, it is hoped to exceed the profit level achieved in 1979.

During the year external turnover rose from £73.47m to £92.23m, and associated companies contribution was £10.92m (£15.21m). Trading profit was slightly higher at £6.78m (£5.6m), the share of associated companies being £1.56m (£1.87m). Dividends absorbed £2.1m against £1.44m, leaving retained profits down from £2.31m to £1.77m. Total reserves increased £4.95m to £31.3m at the year end.

comment

The 24 per cent drop in second half profits at Unicorn Industries is much worse than expected although the main causes were known. Diamond markets faded

in the fourth quarter while UK abrasives production was disrupted by industrial unrest in the engineering industry last summer, costing more than £1m in lost profit. Abrasive product sales will probably be hurt again this year by the effects of the steel strike on UK manufacturing. But the company's stated hopes for expansion in oil drilling and mineral exploration and for taking products of recently acquired companies into new markets are unlikely to make much impact. Fully taxed earnings barely cover the dividend but the 13.3 per cent yield may prevent further erosion of the share price. The new current cost accounting rules would have knocked £2.4m off the £6.5m profit before tax on the year.

Desoutter Brothers cautious after peak performance

SECOND HALF pre-tax profits of Desoutter Brothers (Holdings), precision mechanical engineer, improved from £1.79m to £1.89m and helped the year's figures to rise by £497,000 to £3.82m.

The final net dividend is raised from 3.685p to 4.5p, making the total 7.3p (6.16p). Stated earnings per 25p share are up from 16.92p to 24.63p.

Tax charged was lower at £1.48m (£1.74m), and dividends absorbed £743,000 against £837,000. Retained profits are up from £1.01m to £1.63m.

Mr. R. C. Desoutter, the chairman, says turnover, which increased from £19.59m to £22.45m, and profits were the highest ever achieved by the company.

Orders received so far for 1980 continue at a satisfactory level, but he warns that a high rate of inflation in this country, plus the cost of sterling overseas, may have some effect on trading margins and, in consequence, profits may not quite equal the record figures of 1979.

comment

Desoutter exports in the region of 70 per cent of production so its warnings as to the effect of unfavourable sterling parities are not to be taken lightly. That, however, should not be taken as a signal to sell the shares at 116p. The balance sheet is strong and will support a spending programme of around £1m

with reasonable comfort. Connections with the machine tool industry may be something of a drag on the share price but, rather than manufacturing to an order book, Desoutter has demonstrated its ability to sell pneumatic power tools from stock thus gaining a powerful share of the UK and EEC markets. The wide spread of the customer range ensures a degree of immunity to a downturn in a particular sector and the level of demand so far this year is holding up well. Further expansion in the U.S. market can be expected and it is very likely that further inroads will be planned into the EEC, where — excluding the UK — the group has about 12 per cent of the market in volume terms. After a full tax charge, the historic p/e

of 6 has taken into account the threat of a shortfall this year and a yield of 9.2 per cent offers reasonable support. The recent track record suggests that Desoutter will be among the foremost industrial groups to benefit from lowering of the currency hurdle.

BRENTFORD NYLONS

In yesterday's report on the winding up of Brentford Nylons, it was stated that the company had been taken over by Lornho after its collapse in 1976. In fact, Lornho took over the assets and trade names of Brentford and the company being wound up, Brentford Nylons Ltd., has no connection with Lornho.

Energy Finance placing

Energy Finance and General Trust Holdings, the issuing house run by Mr. Dennis Barkway, is coming to the market via rule 183(2). The Stock Exchange has given permission for dealings to begin today.

A total of 1m new ordinary shares of 10p have been placed at 35p each, the majority of which went to institutional investors comprising a major pension fund, two insurance

companies and two investment trust groups. The proceeds amount to £335m.

The directors forecast that pre-tax profit for the year ended March 31, 1980, will be not less than £0.3m on which the net dividend total will be 1p, with 1.25p in 1980-81.

At the placing price the p/e is 13.46 fully diluted while the yield is 4.08 per cent and a provision fund, two insurance

BRITAIN'S ECONOMIC PROSPECTS

a one day conference

Thursday, April 24th

Cafe Royal, 68 Regent Street, London, W1

Speakers include:

Sir Peter Carey, Department of Industry
Dr. Paul Nield, Phillips & Drew

Tickets: LCCI members £63.25 inc. VAT

Non-members £77.05 inc. VAT

Details from:

Mrs. E. Bernstein,
London Chamber of Commerce & Industry
69 Cannon Street, London EC4N 5AR.
01-248 4444 Ext. 12.

THE NEW THROMORTON TRUST LTD.

Capital Loan Stock Valuation—April 1st, 1980

The Net Asset Value per £1 of Capital Loan Stock is 191.20p calculated on Formula 2. Securities valued at middle market prices.

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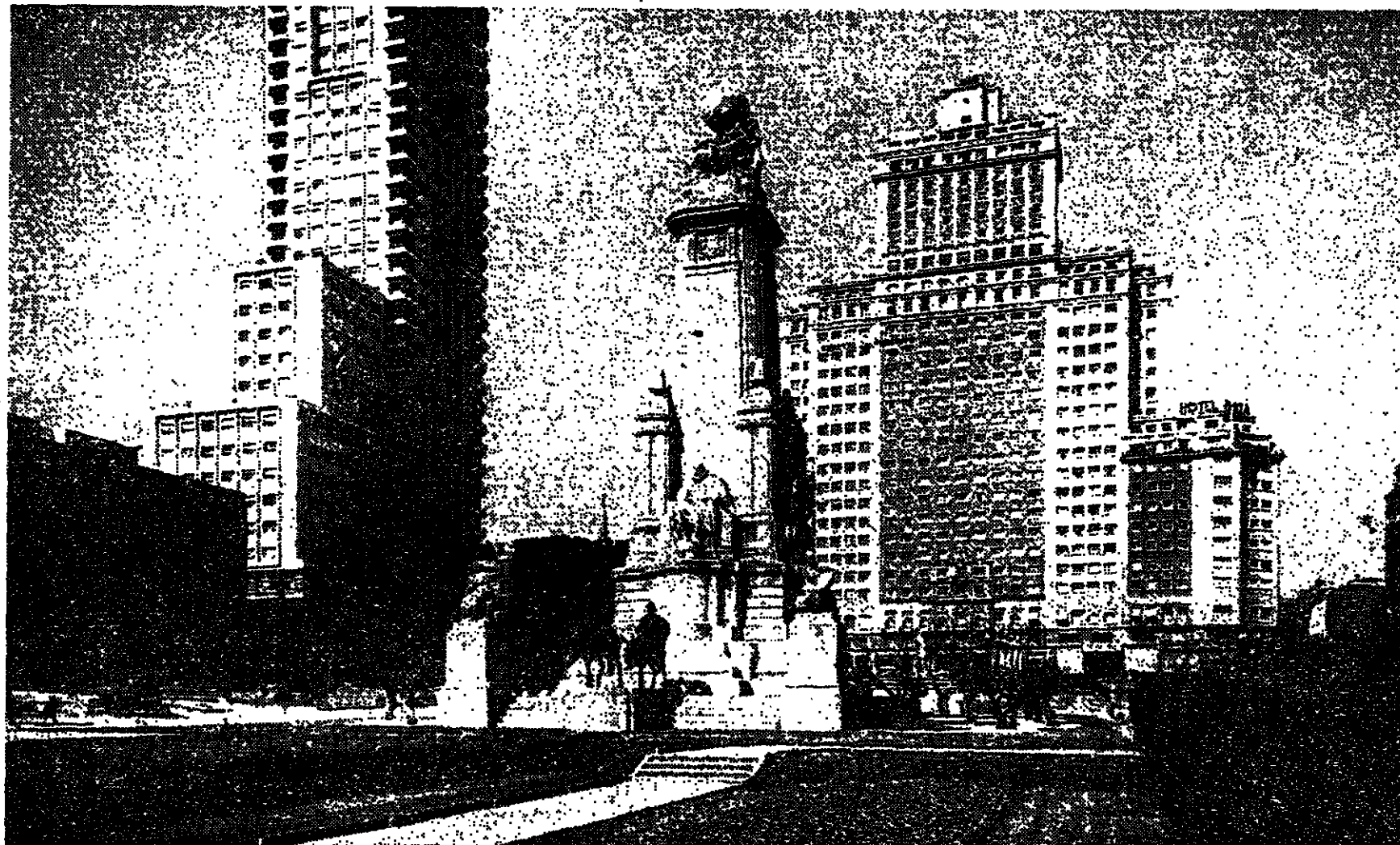
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UK COMPANY NEWS

Watts Blake rises £0.5m Charterhall back in profit and plans 25% scrip with £19,523 at mid-year

AN IMPROVEMENT in pre-tax profits from £3.02m to £3.51m is reported by Watts Blake, Broom and Company, clay mining and processing group, for 1979.

The dividend is lifted from 3.12p to 3.5p net with a final 25p, and the directors are proposing a one-for-four scrip issue.

The surplus is struck after depreciation of £1.63m (£1.46m) and a post-invoice currency loss of £96,000 (£94,000, £81,000).

The current year has started well, say the directors, although they expect a modest deterioration in trade throughout the year during the 12 months, with the hope of a positive revival before 1980.

They add that, with ample financial resources available, any slack periods ahead will be used in preparation for continued expansion through the mid-1980s. Meanwhile, they intend to do their best to maintain the group's profit growth record.

Tax this time takes £1.37m (£1.2m), including overseas tax of £277,000 (£135,000), and earnings per 25p share are shown as 16.5p (£13.9p) before tax, and 12.5p (£11.1p) after.

Sales improved from £19.06m to £22.2m, with £16.12m (£15.8m) coming from exports and overseas trading.

A REVALUATION of properties held as fixed assets as at December 31, 1979, shows a total value of £64.14m compared with a book value of £51.7m. The resulting net surplus of £12.39m has been transferred to capital reserves.

Property and trading income fell from £5.36 to £5.51m before ground and other rents, rates and expenses of £2.72m (£3.12m). Interest charges rose from £2.6m to £2.7m.

Stated earnings per 20p share on a net basis, including a transfer from capital reserves relating to development properties, are 0.73p (0.85p).

per share.

The dividend cost is £17,848 against £6,513 leaving a retained balance up from £7,518 to £10,031.

Dealing in the company's shares are conducted under Rule 163/2.

A RETURN to profitability was achieved by Charterhall in the six months to December 31, 1979, with profits for the period at £19,523, compared with a loss of £31,534 last time. Total income of this investment holding company with interest in oil, natural gas and mineral exploration and finance, advanced from £23,613 to £491,888.

The result comprised net income from the group's financial companies and interest earned on bank deposits, less operating expenses and interest to BP on the loan made at the time of the Farmout in 1977.

Operating expenses were mainly associated with the continuing development of the group's oil and mineral interests which are not yet contributing significantly to income.

Interest payable increased from £29,376 to £57,783, while depreciation and amortisation charge took £14,418 (£9,259). No provision is required for tax.

Again no dividend is recommended, but as announced at the last annual meeting, the board expects that these will commence in the year ending June 30, 1981.

The last payment was in 1967, when a dividend of 10p was paid.

Cliffs International Inc., the operator of the Mt. Keith nickel project in Western Australia, has now earned a 51 per cent interest in the venture, leaving Charterhall with a 26 per cent interest which is held through Charterhall Mining Exploration.

After Cliffs has spent a further £250,000, Charterhall will be required to contribute funds in proportion to its interest. Results continue to be encouraging and the next drilling programme is planned to commence this month.

Charterhall's two financial groups are trading satisfactorily and continue to provide cash

flow to cover operational expenses.

The seven production wells and the facilities in the Buchan Field are complete and await the arrival of the drilling rig 'Drillmaster' which is still being converted to a production platform to be known as 'Buchan A'. The work is being undertaken at Sornoway and is now about 90 per cent complete.

As already announced by the operator, BP Petroleum Development, because of the conversion delays, the estimated total capital cost of the project has risen to about £170m.


On the South Western approaches it is planned to carry out a detailed seismic survey in the next few months, upon which drilling plans for 1981 will be formulated.

Charterhall Oil has joined substantial consortia to apply for blocks in the Seventh Round of UK Offshore Licensing which is expected to be announced in the near future.

In the San Luis oilfield in New Mexico the wells and facilities for water injection are ready and government permission to start injection is awaited. Income is continuing to be received from the eight programmes managed by Charterhall America has an interest.

Charterhall Resources Canada, in conjunction with Renaissance Resources, has acquired an interest in two leases in British Columbia to add to those already held in live areas in Alberta, one in Saskatchewan in Canada, and those in Kansas and Wyoming in the U.S. Two wells in

Alberta have been drilled to date, both with negative results and the next drilling activity is expected to be in Kansas. Of the £500,000 contributed by Charterhall to the joint venture fund, £343,000 has been expended to date on the acquisition of leases.



RANSOMES

Pre-tax profit up 11% to £2,859,000

Sales up 22% to £42,190,000

Dividend increased by 18%

Points from the statement by Mr. G. W. Bone, Chairman.

- * Profit increase achieved despite losses from Dorman Sprayers, heavier interest charges and strikes in the engineering industry.
- * Substantial increase in sales of grass machinery.
- * Strong order book in important sectors of the business.
- * Further improvement in Group profits for 1980 is achievable.

RANSOMES SIMS & JEFFERIES LTD., IPSWICH.

L. Gould profits up 60%

PRE-TAX profits of Laurence Gould and Co., consultants in agriculture and agro-industries, expanded by 60 per cent from £138,723 to £223,656 for 1979, on turnover up by 42 per cent to £1.86m.

At half-year profits were up from £73,000 to £102,000 and directors were confident of a full-year performance well ahead of 1978.

Some turnover and profit increase is expected in the current year, although not as much as in the last year or so, they now state.

Final dividend on the ordinary shares, which were placed on the market in June, 1978, is 33.625p lifting the total from 17.5875p to 52p.

Profits for the year, compared with £25,687, were up to £59,400, after which earnings are shown as 131p (103p).

Law Land revaluation surplus

ATTRIBUTABLE profits of Law Land Company, property investor, developer and trader, came from £210,456 to £293,700 in 1979.

The dividend is increased from 1.1p to 1.25p net with a final of 0.75p, and absorbs £45,905.

R. Clay warns on margins

IT IS likely to be difficult to find sufficient work to keep all Richard Clay and Company's factories at their normal level of production in the current year, shareholders are told in the annual report.

This may result in pressure on margins which, together with the costs of turning the recently acquired Falkenham Press into profit and the start-up costs of the Singapore company, could make it very difficult to maintain the record of increased profits.

The pre-tax surplus of this book printer and binder rose from £1.9m to £2.01m in 1979, despite an 8 per cent fall in the second half, as reported on March 19.

The directors say the downturn of orders in the last quarter of 1979 has continued, although there are signs of an improvement which should be maintained.

They are confident the group is on a sound base to meet present competition and, in the longer term, is well placed to take advantage of the upturn in the market which they feel must come.

Schroders confident of overcoming problems

HIGH RATES of inflation create special problems for Schroders since the bulk of its assets are held in monetary form which makes it increasingly difficult to earn a return that is adequate to preserve the real value of shareholders' funds. However, in his annual statement the Earl of Airlie, chairman, says he is confident the group will find ways of alleviating these problems.

He adds that the increase in 1979 net profits from £2.4m to a record £5.6m supports this confidence.

Although growth of margins continued, earnings from the banking division of Henry Schroder Wagg improved and money market activities again made a useful contribution to profits. Fee income of the company finance division was slightly lower, but the investment division had an excellent year.

Schroder Life Group and Schroder Leasing significantly increased new business, while the group's U.S. companies achieved record profits. Here, total assets rose by over 20 per cent to U.S.\$1.5bn but the ratio of loans and deposits to capital base remained conservative and will allow for further expansion.

Apart from a marginal decline in investment income of the Swiss subsidiary, all other group activities produced satisfactory results.

The AGM of this banking, finance and insurance group will be held at 120, Chesapeake, EC, on April 23 at 12.15 pm.

Greencoat well down at midway

Gross revenue of Greencoat Properties was little changed for the half year ended December 31, 1979, at £2.04m against £2m, but pre-tax profits fell from £26,000 to £2,000.

Despite continuing progress, the financial constraints imposed by the legal problems in the company's Grancanal development, France, will remain for the rest of the year.

The directors, therefore, do not feel it would be appropriate to pay an interim dividend—the last payment was 0.13p for 1974-1975.

The directors state that the legal problems in Paris are not yet finally resolved. A date has not been fixed for the company's appeal against the decision to cancel the building permit in respect of the three blocks of the Grancanal development completed in 1976.

In the meantime, directors are exploring ways in which they can sell the remaining 17 apartments in these blocks.

Midland Bank Statistics

Statistics compiled by Midland Bank show that the amount of new money raised in the UK by the issue of marketable securities in March was £55m, the largest monthly total this year, but only about three-quarters of the amount raised in the corresponding month in 1979.

In the first quarter £123m was raised compared with £128m in the same period last year. The properties acquired by the company have fallen from about 90 per cent of the total in the first three months of 1979 to less than half in 1980.

58 companies wound up

Compulsory winding up orders against 58 companies were made in the High Court last Monday. They were:

Distances, D. T. Fleming, Vale of Rhedol Properties, B. R. R. Developments, Office Personnel (Birmingham), Leves Trading Company, and Glen Christie.

Barnes Transport, Lakeside Plastic Engineers and Tooling Co., Swifts Diamond Drilling and Sawing, Kenneth Jackson, Millers Investments (York) and Wainwright (Plymouth).

Western Excavation and Development, Concorde, Anglor Refracting Company, Current-O-Pest, European Food and Wine Company, John Steel and White Rose Panel-Beating Company, J. Maxfield, Hartledge, Albion Printers, Frymire and Glider Travel.

Lotus Builders, Fulshire Properties, Wray Transport, Ascher Designs, Venture Capital, Brentford Wysons and Kay, Kevin Graphics, F. T. and G. Kibrells, D.R.G. Records (UK), Fix-A-Vent, J. H. Mason, (Contractors), Ricky George (Sportaid), Serge Noel and Michael.

Honeybay Caterers, David Bragg and Associates, The Painted Blind Company, Hustline, Squirrel Investments Company, Leslie Grant and Romag Refractories.

Covestone, Colbond, Computer Automation Systems, Steve Smith, Steve Smith, TV (Gwent), J. L. O. Systems, N.V.T. (Glasgow), A. G. Freight Services and Hotel Tokyo (London).

Moolaya Investments, Duncan Maraden (Burnley), W. E. Hopkins and Sons and Engineering Production and Industrial Consultants.

Compulsory winding up orders against Austin Kieley Contractors (made on March 24) and against Hyde Motor Company (March 19) were rescinded. By consent both petitions were dismissed.

Proceedings in the winding up of Hyde Park Insurance Brokers, against which a compulsory order was made on October 5, 1979, were ordered to be stayed.

Capital resources

During 1979, 795,000 shares were issued under the profit sharing scheme and options were granted on a further 1,420,000 shares.

A revaluation of the more important freehold and long leasehold premises of the Group has resulted in a surplus of £26.2 million.

Group's results

In 1979, record pre-tax profits of £315.5 million were achieved by the Group, including the share of profits from associated companies. This represents an increase of 36 per cent over the pre-tax profits for 1978 which incorporated the profits of Bland Payne, our insurance broking interest which has since been sold. After taxation, minority interests and extraordinary items, an attributable profit of £166.2 million was available to shareholders.

Our performance last year was materially affected by the exceptionally high level of interest rates. Nevertheless, for the whole period our activities were adversely affected by the operation of the Supplementary Special Deposits scheme which precluded us from competing freely for new business. Another feature of particular concern has been the increase in our operating costs.

Provision for future development

Whilst the profitability achieved in 1979 may be viewed with satisfaction, it is necessary to remember that the attributable profit of £166.2 million is needed to meet the demands of capital adequacy, to pay a dividend and to provide a contribution towards further investments which are essential to the future development of the Group.

To meet these requirements, we must look to our profits after tax as, unlike industrial companies who have the benefit of stock relief, banks are given no tax allowance on the growing volume of capital which has to be held as backing for a deposit base which increases in times of inflation. It must also be remembered that to support the Group's developing activities it has been necessary to increase our capital base both by rights issues and issues of subordinated loan stock, which together have raised over £400 million during the last five years.

M. J. L. Nightingale & Co. Limited
27/28 Levent, London EC3R 9EB Telephone 01-621 1212

| 1978-80 | Company | Price | Change | Div (p) | Gross Yield | P/E |
|---------|-----------------------|-------|--------|---------|-------------|------|
| 99 | Albright | 94 | -1 | 6.7 | 10.5 | 3.8 |
| 99 | Armstrong and Rhodes | 29 | - | 3.8 | 13.1 | 2.0 |
| 100 | Barton Hill | 255 | - | 13.8 | 5.4 | 7.5 |
| 100 | County (Care 10.7% P) | 80 | - | 15.2 | 19.1 | - |
| 100 | Debenhams | 105 | - | 9.0 | 5.2 | 10.7 |
| 100 | Frederick Packard | 100 | - | 7.3 | 7.7 | 8.4 |
| 100 | George Blair | 105 | - | 12.8 | 12.5 | 4.8 |
| 100 | Jaggon Group | 70 | - | 18.5 | 15.8 | - |
| 100 | James Burgess | 115 | +1 | 5.2 | 7.4 | 4.1 |
| 100 | Robert Jennings | 283 | +3 | 7.2 | 8.3 | 10.1 |
| 100 | Torrey | 218 | - | 31.3 | 11.9 | 8.4 |
| 100 | Twintock 12% US | 70 | - | 14.3 | 6.5 | 16.8 |
| 100 | Unicheck Holdings | 38 | +2 | 0.8 | 5.8 | 2.8 |
| 100 | Unicheck Holdings New | 48 | - | 2.6 | 6.3 | 10.4 |
| 100 | W. S. Yewts | 182 | +2 | 4.4 | 4.8 | 6.3 |
| 100 | W. S. Yewts | 182 | +2 | 12.1 | 6.6 | 3.0 |

Accounts prepared under provisions of SSAP 15.

"We have the resources of manpower, money and organisation, to meet all the challenges the future has to bring."

Extracts from the Statement for 1979 of Lord Armstrong, Chairman of Midland Bank.

The Group's results

In 1979, record pre-tax profits of £315.5 million were achieved by the Group, including the share of profits from associated companies. This represents an increase of 36 per cent over the pre-tax profits for 1978 which incorporated the profits of Bland Payne, our insurance broking interest which has since been sold. After taxation, minority interests and extraordinary items, an attributable profit of £166.2 million was available to shareholders.

Our performance last year was materially affected by the exceptionally high level of interest rates. Nevertheless, for the whole period our activities were adversely affected by the operation of the Supplementary Special Deposits scheme which precluded us from competing freely for new business. Another feature of particular concern has been the increase in our operating costs.

Provision for future development

Whilst the profitability achieved in 1979 may be viewed with satisfaction, it is necessary to remember that the attributable profit of £166.2 million is needed to meet the demands of capital adequacy, to pay a dividend and to provide a contribution towards further investments which are essential to the future development of the Group.

To meet these requirements, we must look to our profits after tax as, unlike industrial companies who have the benefit of stock relief, banks are given no tax allowance on the growing volume of capital which has to be held as backing for a deposit base which increases in times of inflation. It must also be remembered that to support the Group's developing activities it has been necessary to increase our capital base both by rights issues and issues of subordinated loan stock, which together have raised over £400 million during the last five years.

Capital resources

During 1979, 795,000 shares were issued under the profit sharing scheme and options were granted on a further 1,420,000 shares.

A revaluation of the more important freehold and long leasehold premises of the Group has resulted in a surplus of £26.2 million.

Shareholders' funds

Shareholders' funds, including retentions from this year's profits, have increased in money terms during the year by £260 million to £1,220 million.

Our total capital base was further augmented in December 1979 by the issue of US\$125 million Guaranteed Floating Rate Notes 1989 by Midland International Financial Services B.V., the Bank's Dutch subsidiary.

In the light of the position which I have outlined above, we are confident that we have the capital resources to be able to take advantage of investment or business opportunities which may arise.

Group strategy

In 1974 and 1975 we reviewed our strategy and set before ourselves objectives designed to take advantage of the new freedoms we had been given and to realise the potential of our recent acquisitions - Thomas Cook, Montagu Trust, which included Samuel Montagu and Bland Payne, and Drayton Corporation.

We decided that while our domestic banking, with its traditional blend of money transmission and lending services, must be and should remain the hub of the Group's business, faster growth and a greater proportion of Group profits should be looked for from operations outside the United Kingdom itself, and from activities other than traditional banking.

Dividend increased

The Directors have declared a second interim dividend of 12.5p per share which gives a total for 1979 of 20.0p per share, compared with 16.44p per share for 1978. The cost of these dividends is £32.6 million, leaving £133.6 million for retention in the business.

The outlook

The record of the past five years is one of economic ups and downs with successes intermingled with setbacks. No doubt the future will continue to be as challenging and for some time to come we must go on living with uncertainty.

The achievements of the past five years, the growth we have secured and the foundations we have laid, encourage me in the conviction that we are well placed in resources of manpower, money and organisation, to meet all the challenges the future has to bring.



Midland Bank Group

Lord Armstrong's Statement and the Report for 1979 are available from:
The Secretary, Midland Bank Limited, Head Office, 27 Poultry, London EC2P 2BX.



MINING NEWS

Phelps takes a cautious line

BY PAUL CHEESERIGHT

PHILIPS DODGE, which mines about 20 per cent of the copper produced in the U.S. each year, has cast a baleful eye over the revival of fortunes in the mining industry over the past 18 months and has expressed only qualified optimism for 1980 prospects.

Although the group is expecting to gain the benefits from an investment programme carried through in the 1970s and from a return to profit at the Western Nuclear uranium subsidiary, Mr. George Munroe, the chairman, cited in the annual report two uncertainties for this year.

First there is "the uncertainty about whether our country's economy will move into a recession this year." The Carter Administration is now expecting that recession would be "somewhat later and milder" than forecast earlier and could come in the last quarter.

The second uncertainty mentioned by Mr. Munroe is the expiry, in the middle of the year, of most of the labour contracts in the U.S. copper industry. This would affect Phelps' Arizona mines and its refinery at El Paso, Texas.

"If these important matters can be satisfactorily resolved, our company should enjoy a good year in 1980," he said.

But "good" is a vague word if seen in the light of Mr. Munroe's analysis of the 1979 figures which showed that net profits climbed to \$110.8m from \$30.1m the previous year.

If the 1979 earnings are expressed in constant dollars, Mr. Munroe said they would be exceeded by the earnings of 13 of the previous 25 years. Last year was "a fairly normal year after the cyclical low of the previous four years."

Although copper demand was strong in the major markets and inventories were reduced to normal levels, the "marked improvement in prices still left values 'relatively low when measured by historic relationships with other metals and when adjusted for inflation, did not approach the levels reached on the metal exchanges in 1974 at the top of the last cycle," Mr. Munroe said.

RTZ (Rhodesia) platinum and gold prospects

WHILE LITTLE change in earnings and dividend is expected this year by the Rio Tinto-Zinc group's per cent-owned Rio Tinto (Rhodesia), the latter has plans for two major developments following RTZ's recent decision to provide it with funds of \$5m, reports Tony Tawhles from Salisbury.

The first, disclosed by Mr. W. V. Richards, chairman of Rio Tinto (Rhodesia), is a decision to construct a pilot plant at the Zimba platinum deposit. It will take about two years to determine whether to go ahead with what could be a major platinum mine, but Mr. Richards says the project looks very attractive at current platinum prices.

The second venture is a medium-sized gold mine in the Port Victoria area where development has been held up by the security situation. A final decision on this, Reneo, project awaits confirmatory diamond drilling. "I am reasonably confident we have a viable project here," says Mr. Richards.

Of the group's existing operations, the major investment, Empress Nickel, is in a declining production phase with nearly 60 per cent of available ore tied up in pillars. Lower output is also expected at the Sanyana, emerald mine while reduced ore grades are expected at the group's gold mines and the industrial division is not expected to achieve major earnings growth this year.

INCOME REVIVAL AT MARINDUQUE

Marinduque Mining and Industrial, the Filipino group, last year staged a dramatic financial turnaround, recording a net profit of P165m (€10.3m) after making a net loss of P98m in 1978. It was the first profit for the group since 1976, reports Leo Gonzaga from Manila.

The group has nickel mining and refining, copper, gold and silver mining and milling interests.

Marinduque for some years has been meeting heavy financial charges associated with borrowing for its \$250m nickel refinery on Mindanao Island. In 1979 charges were P260m compared with P200m in 1978.

But this was more than offset by the favourable turn in prices for the group's mineral products and higher nickel refinery and copper mill production.

By contrast, Consolidated Mines, which has copper facilities on Marinduque Island and a refractory chromite property in south-west Luzon, suffered a sharp drop in profits to P25m last year from P200m in 1978.

BIDS AND DEALS

Barratt moves into U.S. with £5.7m acquisition

Barratt Developments has entered the U.S. house building market with the acquisition of American National Housing Corporation of California.

Barratt, which says it intends to make "further selective acquisitions" in the U.S. over the next few years, paid \$5.7m for the company and is to make an additional payment between 1983 and 1986 which will be based on net assets and profits.

Net assets of ANHC, a privately owned housebuilding company established in 1969 and based in Newport Beach, exceed the cash purchase price. In the past 10 years, the American company has built and sold nearly 3,000 houses in California and Arizona, and has also carried out commercial developments.

At a signing ceremony in California, Mr. Laurie Barratt, chairman of Barratt Developments, said he believed it was the first time a UK housebuilder had acquired a U.S. counterpart and the purchase provided an

ideal vehicle for the group's entry into the American market. In the UK, Barratt claims to be the country's largest private housebuilding group with a turnover heading for £200m a year and a sales target for the current year of 11,500 homes.

Between 14m and 24m homes are built every year in the UK with the largest American housebuilders taking less than 1 per cent of the market. Barratt claims 9 per cent of the U.S. market and says its new American company, acquired through its newly-formed U.S. holding operation Barratt American Inc., will adopt the autonomous management structure which has been adopted in the UK.

Debenhams sells 27 shops to Sellars

Irvine Sellars, the privately owned chain of fashion retail

stores, has bought the 27 shops formerly operated by Debenhams under the Cresta name for £1.5m. Debenhams announced early in December that it was closing the Cresta operation and intended to sell the shop units piecemeal. In the event they have all been bought by Irvine Sellars which will trade from about half under its Mates name.

A number of other stores will operate as "Crocodile" high fashion units and the remainder will be sold. The exception is the New York department store involved in the package which is to be named "Marshall's of York" and will retain much of its former character, a spokesman for Irvine Sellars said yesterday. The sale by Debenhams follows a series of disposals of parts of its diversified retailing operation. In December it sold its chain of Caters supermarkets to Allied Suppliers for \$9.5m. At the same time it considered and finally rejected two offers for its Harvey Nichols department store. Earlier last year it sold its Greens photographic chain to Dixons Photographic for £1.7m.

Alternative offer for Serck

THE £33m cash bid for Serck by Rockwell International Holdings, accepted with "reluctance" by the Serck board, has been supplemented by an alternative offer of floating rate unsecured loan notes 1980-85 at the rate of 7 1/2 per cent nominal per ordinary share of Serck.

The notes will bear interest at a rate of 4 per cent below the London Inter-Bank Offered Rate which, in present circumstances, means that the coupon would be 13 per cent. The alternative terms copy those offered to holders of Geo. G. Sandeman by Segram last year.

To reduce the costs of acquiring shares in the UK, Serck has agreed to a capital reorganisation. Subject to shareholders' approval at an extraordinary meeting on April 23, a holding of one existing Serck share will thereafter be replaced by a holding of one fully paid new ordinary share and one fully paid deferred share.

In the meantime, the Stock Exchange continues its preliminary investigation into dealings in Serck shares in the week before Rockwell acquired its current 28.7 per cent holding. A decision whether to call for verbal evidence has yet to be taken.

SHARE STAKES
Alexander Howden Group Kuwait Investments Office on March 10 sold 100,000 shares, on March 13 50,000 and on March 21 50,000, leaving interest at 7.1m (7.83 per cent).
Elbar Industrial—Tanks Investments (UK) has increased its beneficial interest from 2.34m shares to 2.35m (71.82 per cent).
Drahe and Seall Holdings Chevalier Malevez, director, sold

100,000 ordinary shares at 43p and 10,000 5.6 per cent "B" cumulative redeemable preference shares 1981/86 at 49p on March 27 and 10,000 7 per cent "D" cumulative preference 1992/97 at 64p on March 20.

Cardiff Property Co. — J. R. Wollenberg, director, has acquired 50,000 shares (6.8 per cent) of his total holding. General Industries has sold 50,000 leaving holding 108,000 (14.4 per cent).

Spencer Clark Metal Industries — Rothschild Investment Trust is beneficial owner of 540,000 shares formerly held by its subsidiary—New Investment Co. Norfolk Capital Group On March 28, J. Joseph, chairman, acquired a further 581,518 shares at 38p. He immediately sold, at 38p, 99,165 of these shares in accordance with requirements of the City Code thereby reducing his holding to 5.69m (29.39 per cent).

HoJo shares react again

Concern about the \$630m (£390m) bid by Imperial Group of the UK for Howard Johnson was again evident on Wall Street yesterday, and shares of the U.S. motel and restaurant chain had to be temporarily suspended.

The suspension followed an agency report that HoJo had just announced "vexing problems," in its business due to inflation and petrol shortages. This appeared to refer to HoJo's annual report, but this has been in shareholders' hands for at least ten days.

After this had been cleared up, HoJo shares, later opened

Glasserton buys into LIT

Glasserton Company is to acquire 267,900 ordinary shares of London International Trust in a deal worth £32.145. Glasserton is buying its 28.79 per cent stake from certain of the directors and their families.

But the agreement is subject to satisfactory answers to certain queries concerning London International Trust being provided by April 21, 1980. It is also subject to acceptances being received in respect of a further 24.21 per cent of the capital.

If the conditions are fulfilled, in compliance with the rules of the Takeover Panel, Glasserton will extend its offer to holders of the remaining 732,100 ordinary shares in London International Trust at the same price of 12p. The offer is conditional only on acceptances being received in respect of the 24.21 per cent of the capital.

Glasserton intends to re-activate the business of London International Trust, an investment trust, and restore the listing. The existing directors, Mr. H. J. C. Ross-Skinner and Mr. D. G. Hammer, have agreed in principle

to remain in office for a minimum 12 months and, on the offer becoming unconditional, further directors will be invited to join the Board.

MALLINSON-DENNY
Further to the announcement on January 11, 1980, Mallinson-Denny confirms that the 1,566,167 ordinary shares issued as part of the consideration for the acquisition of Keith Young (Insulation Supplies) have been issued.

BOGOD-PELEPAH
Bogod Adamson Machines, a subsidiary of Bogod-Pelepah, has acquired the assets of Ibis Engineers from the receivers, for £90,500 cash.

And the company has acquired the assets of Ibis Booth, from its receivers. The consideration is £15,000 cash and some £50,000 for stock. The Bogod Group Pension Fund will acquire the freehold premises in Leeds, occupied by Ibis Booth for £30,000, and will lease them to Bogod Adamson at a commercial rate settled by an independent valuer.

This advertisement is issued subsequent to the Placing of 1,000,000 Ordinary Shares of 10p each of the Company at 35p per share and is not an invitation to any person to subscribe for or to purchase any share or loan capital.

There is no listing on any stock exchange for the securities of the Company and no application is being made to the Council of The Stock Exchange for the Company's shares to be admitted to the Official List.

Energy Finance & General Trust Holdings Limited

(Incorporated under the Companies Acts 1948 and 1967 Registered No. 1141943)

| Share Capital | | | |
|---------------|-----------------------|--|----------|
| Authorized | Issued and Fully Paid | | |
| £ | £ | | |
| 350,000 | 350,000 | 5% Redeemable Cumulative Partly-Convertible Preference Shares of £1 each | 249,000 |
| 10,000 | 100,000 | Founders' Shares of 10p each | 10,000 |
| 1,000,000 | 10,000,000 | Ordinary Shares of 10p each | 501,243 |
| £1,360,000 | | | £760,243 |

Persons who wish to deal in the Ordinary and/or Preference Shares of the Company should consult their Stockbroker or other professional adviser in order that applications can be made to the Council of The Stock Exchange for specific bargains to be transacted under Rule 163(2).

Full information regarding Energy Finance and General Trust Holdings Limited is contained in a Prospectus dated 26th March, 1980 and copies may be obtained from:

Energy Finance and General Trust Holdings Limited
Dunstable House, Frederick's Place,
Old Jewry, London EC2R 3HN
and
Greene & Co.
22 Blomfield Street, London EC2M 7AL.

Wesleyan & General Assurance Society

Record Production & Progress in Life Departments
Improved General Branch Results
Increase in Reversionary Bonus
Terminal Bonus Introduced for S.E.P. Policies

Extracts from the speech of the Chairman, Mr. J. D. W. Field, in moving the adoption of the Report and Statement of Accounts—

Mr. H. J. Jones retired from his Executive position as General Manager at the end of September, 1979, but remains on the Board as Vice-Chairman. His understanding of staff management and practical approach to administration has laid a sound foundation for the future of the Society. This is evident from the results of the year-under review.

He has been succeeded by Mr. D. L. Robinson, who in recent years as Manager of our outside organisation, has engendered a fine spirit of co-operation and endeavour in the field, the result of which has made a major contribution to our progress.

Long Term Business. I am pleased to report record new business production and progress in 1979.

In the Industrial Department the results were very significantly affected by the introduction of new arrangements for the granting of Life Assurance Premium Relief, whereby, instead of the Policyholder receiving benefit by an allowance in his tax assessment, he receives it by way of an agreed increase in the benefits under his policy. Under this method the amount of L.A.P.R. due on the total premiums paid is passed to the Society by the Inland Revenue, and is then treated in the Accounts as additional premium.

New premiums in the Industrial Department increased by 26% over 1978, even after discounting the benefit of L.A.P.R. and in the Ordinary Department they increased by 31%.

Premium Income in these departments increased in total by 25% as against 9% in 1978. Without the benefit of L.A.P.R. the overall increase would have been 13.5%.

In the Ordinary Department the new premium income figures for 1979 were greatly helped by the Society's "Top Up" mortgage scheme. It is our intention to continue this scheme in 1980 but, being mindful of the necessity for keeping a balanced investment portfolio, to allocate no more funds to the scheme in 1980 than we did in 1979.

As we cannot expect to gain the same additional benefits in 1980 as we did in 1979 from the changes in L.A.P.R. arrangements or from the granting of "Top Up" mortgages, it would seem reasonable to suppose that we shall not achieve such exceptional growth in premium income in 1980 but nevertheless I confidently anticipate further substantial progress.

Short Term Business. The total premium income of the Fire & Accident Departments increased by 16.54%. We again suffered an underwriting loss in the Motor Department but this was reduced to £172,000 which represented a significant improvement over the 1978 result when the loss was £270,000. The investigation into the Motor Rating structure, to which I referred last year, has led to changes in underwriting which appear to have been beneficial. The investigation continues and I am hopeful that as further changes are introduced during the current year we shall reduce the underwriting loss still further.

In the Property Account we achieved an underwriting profit of £42,443 (£19,770 in 1978). There is no doubt that this underwriting profit would not have been achieved but for our continuing to apply automatic increases to sums insured at renewal. In spite of this action on our part there remains, nevertheless, a need for our Household policyholders to reconsider each year whether or not the sums insured under their policies provide them with adequate cover in the event of a total or heavy loss.

After inclusion of investment income, the overall result in the General Business Revenue Account is a net transfer of £757,749 to the Profit & Loss Account as

compared with a transfer of £434,386 in 1978. Investments. On the investment scene the overall picture is satisfactory. The institutional property market remained buoyant throughout the year and our rental income showed appreciation as the higher rates resulting from the periodic reviews were brought into account. The House Purchase Department was kept busy with requests for mortgage facilities and the income here, following higher interest rates generally, showed a commensurate increase.

Apart from take-over situations—some unwelcome—profits were found to fund on the Stock Market which was strong in advance of the General Election but generally in decline subsequently as the new Government monetary measures to control inflation began to bite. Nevertheless, from an income point of view, both our gilt-edged and equity portfolios served us well.

The Society's funds remain wisely invested, almost exclusively in the United Kingdom, to secure as good a return as is feasible having regard to the general down-turn in the World economy which, even apart from this Country's self-inflicted wounds, indicates little if any real growth for a year or two.

Reversionary and Terminal Bonuses. The most important factor in the creation of surplus is investment performance and, as I have said, the Society's investments performed well in 1979. In consequence, our surpluses are higher than they were in 1978 and we have been able to declare increases in bonuses. In the Ordinary Department the Reversionary Bonus has been increased by 20p to £4.60 per £100 of basic sum assured and we have retained a Terminal Bonus of 3% for each year the policy has been in force.

In the Self-Employed Department we introduced a Terminal Bonus at the rate of 3% and this will result in the contract becoming even more attractive.

Data Processing. I am pleased to announce that the Society has contracted to purchase, for delivery in the autumn, a new Honeywell computer, with on-line processing facilities, capable of running our existing systems, and of expansion to meet future needs as they arise.

This should enable us to improve further our service to policyholders and staff in the field.

Provisions for Pensioners. The Directors of the Society and the Trustees of the Employees Benefit Scheme are very much aware of the unfortunate impact of inflation on pensioners and it gives me particular pleasure that we have been able this year to increase pensions on a graduated basis. The maximum increase on the scale is 13% and the minimum 6%.

Prospects for the Future. The greatest threat to a continuation of the significant progress achieved by the Society over the past few years stems from a high rate of inflation. It poses a threat to policyholders and staff alike and, of course, to the Country as a whole. We all hope that it can be reduced.

So far as the Society is concerned, buoyant sales and schemes of rationalisation continue to help offset the rising costs caused by inflation.

Furthermore, we have an extremely sound financial base which enables us to withstand the vagaries of economic change.

I am confident, therefore, that for the foreseeable future we shall be able to continue on our present path of progress. Tribute to Staff. I would like to express on behalf of the Board our most sincere appreciation of the efforts of the staff.

With a continuation of the sense of common purpose which characterised our activities in 1979 I am confident that further successes will be achieved to the benefit of both policyholders and staff.

Wesleyan & General

Principal Office: Colmore Circus, Birmingham B4 6AR

The war that never ends

We British are a peaceful people. When a war is over we like to consign it to the history books—and forget it.

But for some the wars live on. The disabled from both World Wars and from lesser campaigns, now all too easily forgotten; the widows, the orphans and the children—for them their war lives on, every day and all day.

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This is where Army Benevolent steps in. With understanding. With a sense of urgency... and with practical, financial help.

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The Army Benevolent Fund

for soldiers, ex-soldiers and their families in distress

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مكتبة العبد

All of these securities have been sold. This announcement appears as a matter of record only.

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March 1980

900,000 Shares

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Common Stock

L. F. ROTHSCHILD, UNTERBERG, TOWBIN

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The Central Bank of Brazil invites you to come and learn, through coins, about the splendour of gold in the history of Brazil. From April 15 to 24, at Deutsche Bank AG, Georgsplatz 20, Hannover. XVIII Century Brazil Exhibit. The Gold Cycle.



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| | Series | April | | July | | Oct. | | Stock |
|---------------------------|---------|-------|-------|------|-------|------|-------|---------|
| | | Vol. | Last | Vol. | Last | Vol. | Last | |
| AKZ | F.280 | — | — | 5 | 2.80 | 1 | 4.90 | F.280 |
| AKZ | F.28.50 | — | — | 8 | 1.40 | 125 | 3.20 | F.28.50 |
| AKZ | F.29 | 50 | 0.80 | 84 | 0.70 | 76 | 1.80 | F.29 |
| AKZ | F.29.50 | 5 | 2.70 | 10 | 0.40 | 64 | 0.80 | F.29.50 |
| AKZ | F.27.50 | 12 | 5.80 | — | — | 6 | 4.70 | F.27.50 |
| AKZ | F.30 | — | — | 1 | 1.70 | 10 | 3 | F.30 |
| AKZ | F.30 | — | — | — | — | 6 | 1.50 | F.30 |
| AKZ | F.30 | — | — | 2 | 8 | — | — | F.30 |
| AKZ | F.30 | — | — | 2 | 8 | — | — | F.30 |
| AKZ | F.30 | 10 | 4.50 | 1 | 5.70 | 6 | 6.70 | F.30 |
| AKZ | F.70 | 113 | 1.60 | 10 | 3.20 | — | — | F.70 |
| AKZ | F.75 | — | — | 18 | 2 | — | — | F.75 |
| AKZ | F.80 | 8 | 0.80 | 2 | — | — | — | F.80 |
| AKZ | F.70 | 10 | 2 | 80 | 6 | — | — | F.70 |
| AKZ | F.17.50 | — | — | — | — | — | — | F.17.50 |
| AKZ | F.80 | 40 | 4.70 | 48 | 6.80 | 10 | 7.90 | F.80 |
| AKZ | F.80 | 40 | 0.30 | 39 | 2.50 | 51 | — | F.80 |
| AKZ | F.80 | — | — | 45 | 0.70 | 77 | 1.40 | F.80 |
| AKZ | F.90 | — | — | 20 | 0.30 | — | — | F.90 |
| AKZ | F.110 | 74 | 1.40 | 43 | 4.40 | — | — | F.110 |
| AKZ | F.70 | 79 | 7.80 | 4 | 8.80 | 1 | 6.80 | F.70 |
| AKZ | F.90 | 2 | 16.50 | 10 | 16.50 | — | — | F.90 |
| AKZ | F.100 | 1 | 4.50 | 1 | 7 | — | — | F.100 |
| AKZ | F.110 | — | — | — | — | 4 | 4 | F.110 |
| AKZ | F.118 | — | — | 32 | 1.80 | 6 | 2.80 | F.118 |
| AKZ | F.180 | — | — | — | — | 2 | 1.60 | F.180 |
| AKZ | F.100 | — | — | 2 | 1.80 | — | — | F.100 |
| AKZ | F.17.50 | 25 | 0.50 | 19 | 1.10 | 32 | 1.50 | F.17.50 |
| AKZ | F.80 | — | — | 20 | 0.50 | 56 | 0.70 | F.80 |
| AKZ | F.100 | — | — | 10 | 1.50 | — | — | F.100 |
| AKZ | F.80 | 4 | 0.50 | 5 | 2.80 | — | — | F.80 |
| AKZ | F.28.50 | 8 | — | — | — | — | — | F.28.50 |
| AKZ | F.140 | 10 | 14 | — | — | — | — | F.140 |
| AKZ | F.140 | — | — | 4 | 12 | — | — | F.140 |
| AKZ | F.150 | 230 | 5.50 | 56 | 7.80 | 6 | 11.20 | F.150 |
| AKZ | F.160 | 67 | 1.20 | 56 | 4.40 | 49 | 6.30 | F.160 |
| AKZ | F.170 | 80 | 0.30 | 80 | 1.50 | 41 | 5.70 | F.170 |
| AKZ | F.180 | 6 | 0.40 | 56 | 4 | 34 | 7 | F.180 |
| AKZ | F.145 | 305 | 1.30 | — | — | 13 | 9 | F.145 |
| AKZ | F.150 | 138 | 2.30 | 17 | 8.20 | 7 | 13 | F.150 |
| AKZ | F.160 | 3 | 9.80 | 21 | 1.80 | — | — | F.160 |
| AKZ | F.170 | 10 | 16.50 | — | — | — | — | F.170 |
| AKZ | F.118 | — | — | 21 | 1.40 | — | — | F.118 |
| AKZ | F.195 | 4 | 0.10 | — | — | — | — | F.195 |
| | | May | | Aug. | | Nov. | | |
| AKZ | 850 | — | 2 1/2 | — | — | — | — | 850 3/4 |
| AKZ | DM.150 | — | — | 7 | 2 | — | — | DM.150 |
| AKZ | DM.150 | — | — | — | — | — | — | DM.150 |
| AKZ | 825 | 20 | 1 1/2 | — | — | — | — | 825 |
| TOTAL VOLUME IN CONTRACTS | | | | | | | | 2466 |
| G=Call | | | | | | | | P=Put |

INTERNATIONAL COMPANIES and FINANCE

NORTH AMERICAN NEWS

Dow buys stake in Dutch refinery

By Sue Cameron, Chemicals Correspondent

DOW CHEMICAL EUROPE is to buy a 20 per cent stake in Total Raffinaderij Nederland — part of the Compagnie Francaise des Petroles group — which has a refinery at Flushing in the Netherlands.

CFP and Dow intend to build a conversion unit at the refinery to increase the amount of chemical feedstock. When the unit is completed, Dow will increase its interest in the refinery to 45 per cent.

Chemical feedstock from the refinery will be used at Dow's own petrochemical complex at Terneuzen, also in the Netherlands.

Massey in plant site talks

By Robert Gibbons in Montreal
MASSEY-FERGUSON has held talks with the Canadian Government on the possible location of a diesel engine plant in Canada, probably in the Windsor area of Southern Ontario.

The plant could make engines for tractors, trucks or cars. However, the company said that Windsor is one of six cities in Canada being considered, and location in two other countries is possible.

Amdahl in \$330m computer merger

BY DAVID LASCELLES IN NEW YORK

A MERGER which would create one of the largest companies in the U.S. electronics business was announced yesterday by Amdahl, the fast-growing but recently troubled Californian company, and Storage Technology, the Colorado manufacturer of computer sub-systems. The merger is worth about \$330m, and would create a company with annual sales of close on \$1bn.

The merger marks the second time in a year that Amdahl has sought a tie-up with a medium-sized electronics concern in order to bolster its position in a highly competitive market.

But the proposed merger with Memorex, the Santa Clara manufacturer of computer peripherals, fell through without explanation last November. Under the terms of a letter of intent on the new merger, Amdahl shareholders would get one share in the merged company for each Amdahl share. Storage Technology shareholders would get three-quarters of a share. Amdahl has about 16.5m shares outstanding, worth about \$19 each, and Storage Technology 24.6m shares worth \$14. This gives the deal a value in the range of \$330m to \$340m.

Amdahl was founded only 10 years ago by Mr. Gene Amdahl, a former IBM computer expert, who built the company up from scratch to a \$350m a year sales outfit. However, the company has proved highly vulnerable to the recent volatility of the computer market. In the final quarter of last year its earnings dropped by nearly 100 per cent, and full-year earnings were down a third. The company has also put together a \$200m line of credit to tide it over cash management problems. It lost some of its allure when Mr. Amdahl resigned last autumn.

Storage Technology has a similar history to Amdahl. Founded in 1969, it has grown to \$600m a year in sales. However, its earnings have also been hit by price competition and the shift towards rentals in the computer market.

Under the proposed management structure for the merged concern, Storage Technology's chairman and president, Mr. Jesse Awelid, will become chairman and chief executive. Mr. Eugene White, will become deputy chairman, and Amdahl's president, Mr. John Lewis, its president and chief operating officer.

Posner reverse in final quarter

BY OUR NEW YORK STAFF

TWO COMPANIES controlled by Mr. Victor Posner, the Miami businessman, showed sharp drops in earnings in the final quarter of last year, although full year figures showed an improvement.

NVF, the parent company of the Posner empire, had final quarter earnings of \$1.6m, down from \$18.4m, in the same period of 1978. But full year figures were up from \$36.5m or 50 cents a share to \$58.6m or

76 cents due to a \$11.1m gain (equivalent to 14 cents per share) on shares owned by Sharon Steel NVF's main subsidiary, in Reliance Electric. Reliance was bought last year by Exxon for \$12bn. The 1979 earnings also include a \$2.4m gain on the sale of Sharon's holding in Studebaker-Worthington.

Sharon itself had a bad final quarter due to the weakness of the steel market. Earnings were down from \$7.1m or 9 cents a

share to \$3.1m or 3 cents, although it increased its earnings for the year as a whole from \$37m or 45 cents a share to \$58.6m or 71 cents, largely due to the Reliance and other share sales.

Sharon also made an undisclosed gain from the partial liquidation of UV Industries, which it acquired last year. UV was in the process of going into voluntary liquidation when Mr. Posner launched an unexpected but acceptable takeover bid.

INTERNATIONAL CAPITAL MARKETS
World Bank to borrow DM 300m

By Peter Montagnon

THE WORLD BANK is negotiating with Deutsche Bank the issue of a loan totalling DM300m on the German capital market.

According to officials at the German bank, details could be finalised tomorrow. At the moment, discussions are centring around a two-tranche operation in equal amounts of DM150m with a coupon of 10 per cent, par issue price and maturities of six and 10 years respectively.

The loan would be a considerable boost to new issue activity on this market where a calendar of only DM 200m was set for the current month when the Capital Markets Sub-Committee met last week.

In addition to the World Bank loan, another new deal emerged yesterday. This is a DM 40m, five-year private placement for the Japan Synthetic Rubber Company. Lead manager Berliner Handels- und Bankbank said that indicated conditions are a coupon of 10 1/2 per cent and an issue price around par.

Prices on the German market were well maintained yesterday with little overall change in relatively low turnover. Dealers said that some investors were re-investing interest receipts in the market. This particularly applies to Swiss investors, for whom the yield on German paper is considerably higher than can be obtained at home.

Swiss foreign bond prices were about 3 point higher as the market is beginning to feel a shortage of new issues. The two-tranche convertible issue for Denki Kagaku Kogyo was signed yesterday. The \$15m tranche was fixed by lead manager Nikko Securities, with a 10 per cent coupon and a conversion premium of 9.83 per cent, while the \$5m tranche, led by Paribas (Suisse), has a 7 per cent coupon and a conversion premium of 5.07 per cent.

Prices on the straight dollar Eurobond market, meanwhile, rose by an average of 1 point. Reuters adds from London: Ito Corporation of San Francisco missed payment of about \$2.4m of interest due yesterday on a \$25m Eurobond raised by its Ito Finance International M.V. Curacao, subsidiary. Eurobond dealers said.

The dealers said they were advised that no funds are available for the payment of the annual payment of interest on the \$3 per cent 1988 debentures.

They said, however, that the company has 30 days' grace in paying interest before the bond would be declared in default.

\$450m loan for Greece

By Our Euromarkets Staff

THE CENTRAL Bank of Greece is to raise a \$450m, eight-year syndicated loan with a spread over Libor of 1 point through-out.

The loan, which is much larger than the \$300m originally projected, will be managed by a group of nine international banks, with Bank of Montreal acting as agent. Westdeutsche Landesbank handling the documents and Bankers Trust the books.

Other banks in the management group are Banque Nationale de Paris, Chase Manhattan, Credit Lyonnais, Deutsche Bank, National Bank of Canada and Lloyds Bank International.

It is understood that Greece had been holding out for a 1 point margin element in the deal, but this proved unrealistic in current market conditions. The terms compare with a spread of 1 per cent over 10 years awarded on a \$500m loan by the same borrower last November.

The current deal contains a commitment fee of 1 per cent. Management fees were not disclosed.

Memorex/Olivetti

In an article in yesterday's editions concerning a joint venture between Memorex and Olivetti, figures for the two companies' interest in the concern were inadvertently transposed. The correct figure for Olivetti's interest is 60 per cent and for Memorex 40 per cent.

Ashland Oil predicts strong advance

By Our Financial Staff

ASHLAND OIL expects earnings for the current first half to exceed \$200m or \$3.50 a share, up from \$181m or \$2.13 for the corresponding period of 1979, according to Mr. Orin Atkins, the chairman.

Mr. Atkins also repeated an earlier forecast that Ashland was looking for a 20 per cent increase for the full year, to about \$6.50 a share. The company will also have gains from planned reductions in stock levels and non-recurring items.

A process called "reduced crude conversion," which the company has developed, will make a contribution to future earnings, Mr. Atkins said. The process converts high sulphur heavy fuel oil, now selling at \$11.50 a barrel, into more profitable products, such as petrol and petrochemical raw materials, which can fetch almost \$40 a barrel.

Polaroid spending

Polaroid, the camera group, said in its annual report that it estimated 1980 capital expenditures would drop to about \$80m from the \$135m spent last year. Reuter reports from Cambridge. The company said it financed its working capital requirements last year with short-term loans and expects to continue this policy during 1980.

Cummins depressed

Cummins Engine's first quarter earnings will be depressed by slowing in the U.S. economy and the effects of the five-month strike at International Harvester, a major customer, Mr. James A. Henderson, president, told the annual meeting. Reuter reports from Columbus. In last year's first quarter earnings were \$22.5m or \$2.66 a share.

Repair sector upturn helps to cut loss at Dutch shipbuilder

BY CHARLES BATCHELOR IN AMSTERDAM

AN UPTURN in the ship repair sector and the transfer of responsibility for offshore and large ship construction to the state allowed the Dutch shipbuilding group, Rijn-Scheide-Verolme (RSV) to improve its results in 1979.

The company expects that the restructuring which has been carried out will enable it to continue this positive trend in the 1980s.

RSV reduced its after-tax loss to F1 21.9m (\$10.2m) from F1 59.7m in 1978. It made an operating profit for the first time in four years, of F1 15.1m compared with a loss of F1 77.8m. The operating profit was adversely affected by a number of incidental items which led to a net charge of F1 37m.

The result was influenced by the fact that from January 1979 the state took over responsibility for the losses of the yards making large offshore structures and ships. On the other hand, the 1979 result benefited from a book profit of F1 60m from the sale of company-owned housing.

Taking account of these factors, RSV's profits improved by nearly F1 100m in 1979. It once again proposes to pass its dividend, after last year's F1 18 per share in 1975.

The improvement last year was largely because of a better result from the repair activities. Turnover fell to F12.2bn (\$1bn) last year from F12.5bn but this reflected the hiving off of the large shipbuilding and offshore activities.

Nardien International, the Dutch flavours and fragrances group, had a small net profit in 1979 after going heavily into the red the year before. It also completed a financing agreement with two partly state-owned banks, whereby it has placed new shares which have increased its issued capital of F1 23.4bn by nearly a quarter.

The company reported a net profit of F12.7m (\$1.3m) compared with a loss of F1 24.4m in 1978. The 1979 result included an incidental tax benefit of F1 3.5m, while the 1978 loss included F1 20.2m provisions for reorganisation.

Profit setback at LMT

BY TERRY DODSWORTH IN PARIS

NET PROFITS of Le Material Telephonique (LMT), the telecommunications subsidiary of the French Thomson Group, dropped sharply last year to FFr 50.7m (\$11.5m) from FFr 78.9m.

The profits take into account the results of the Société des Téléphones (STE), the former Ericsson subsidiary in France which was taken over by Thomson some time ago. STE was finally absorbed by LMT last June and its accounts fully

integrated within the telecommunications subsidiary from the beginning of the year.

The merger failed to make any great impact on sales last year, which came out at about FFr 3.2bn, roughly the same level as achieved in 1978.

LMT claims, however, that its order books grew rapidly last year, going up by 83 per cent compared with 1978 to FFr 4.6bn. Of this total, export orders reached FFr 1.3bn against FFr 504m.

CALIFORNIA TAX LAWS

UK banks find the climate sticky

THE CALIFORNIA climate has turned against foreign banks, and British institutions operating there threatened along with the rest.

Not only have their expansion plans fallen under the cloud of recent Federal Reserve restrictions on credit applying to all banks across the country, but also their California taxes may not fall with the resulting drop in revenues. This problem arises because California assesses multinational corporations on a percentage of world income. The recent sharp increases in British bank earnings in the UK have therefore increased their tax bills here.

At the same time, a Bill in Congress to require Federal Reserve membership of all banks could, if successful, reduce the amount of money California chartered subsidiaries have available for lending. Federal Reserve membership would oblige the banks now outside the system, including the California subsidiaries of Lloyds and Barclays, to keep interest-free reserves with the Fed — from the banks' point of view, taking lendable money out of circulation.

Foreign banks operating in the U.S. now hold about one-quarter of their assets in California, and most of the rest in New York. Most of the California assets are accounted for by British and Japanese banks — respectively \$9.1bn and \$16.2bn out of a total of \$31.7bn last June 30, the latest date for which complete figures are available. British assets have

increased since then to perhaps \$10bn.

The bulk of this amount is represented by the Standard Chartered group's Union Bank subsidiary (\$8.5bn) at the end of 1978, by Lloyds Bank California (\$2.47bn) and Barclays Bank of California (\$698m). A handful of other banks main-

tain California agencies to seek out corporate business, but their reported assets in the state are negligible. Of the three principal banks, Standard Chartered was the first to arrive, coming in 1964 to combat Bank of America's expansion into its Far Eastern territory.

Expansion plans by UK and other foreign banks have been hit by Federal Reserve restrictions and heavy state taxes, says MARK BLACKBURN in San Francisco.

Barclays established itself the following year, and Lloyds came in 1974. They now own, respectively, the 6th, 9th and 12th largest banks in the state. Standard Chartered's initial strategy was to create a retail network from scratch under direct British management, and Barclays followed suit. But Lloyds slipped them on arrival by acquiring in 1974 a state bank with more branches than both of them put together — 98 at the end of last year, compared with 53 for Barclays and 37 for Standard Chartered's Bank of London.

Standard Chartered then took off in a new direction in 1975 by acquiring Union Bank and chairman of the holding company.

Union Bank, like other U.S. banks, must now operate within credit guidelines imposed by the Federal Reserve. If the bank observes them, as it says it will, it is hard to see how it can expand corporate loans appreciably in the year ahead. Ordered to keep all loans from increasing by more than 9 per cent, it has — like its domestic rivals — essentially been told not to grow.

The imposed alteration in bank strategy is more pronounced at Lloyds, which has had to abandon the aggressive courting of new business which has characterised it for the past four years.

According to Mr. Robert Brown, Lloyds' president, new loans have been increasing at a rate of 25 per cent a year. To remain under the 9 per cent ceiling, it has increased consumer loan interest charges to its competitors' levels, reduced the maturity of new-car loans from five years to four and is

restricting new loans to existing customers.

"We do not expect to earn as much in 1980 as in 1979," Mr. Brown says.

At Barclays, Mr. Dennis Ford, the president, has had to put a nine-month effort to increase corporate loans on the shelf. "I have in the last three days turned down \$70m worth of excellent business that we really want to do," he explains.

A new corporate development team of 24 has built up such loans from \$53.6m when he took over last June to more than \$200m. But now the team is idle, and to stay within the guidelines it might be obliged to refuse to renew loans already made. "It's rather heartbreaking," Mr. Ford says. From the bank's point of view, longstanding California tax policy rubs salt into these wounds. In the case of Barclays, according to Mr. Ford, its tax for 1979 was set on the assumption that its California operations contributed 1.1 per cent of group earnings of \$1.3bn.

The true percentage was lower, he says, adding: "Even if we made a loss this year, we would pay \$1.5m in California tax."

The banks are contesting this tax, which is known as the unitary tax. It is the subject of a court case filed by the Hongkong and Shanghai Banking Corporation, as well as of a Bill under study by a committee of the State Assembly. But it is not yet clear whether the tax will ultimately stay or go.

These securities have been sold outside Canada and the United States of America. This announcement appears as a matter of record only.

NEW ISSUE

Canadian Pacific Investments Limited

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Herengracht 214,
Amsterdam

1st April 1980

مكتبة النخيل

Spanish shipping group forced into bankruptcy

By Robert Graham in Madrid

NAVIERA LETASA, a Bilbao-based shipping company, has been declared bankrupt with debts totalling Pta 10bn (\$142m). This is the biggest bankruptcy case in Spain for a decade.

One prominent creditor said yesterday that Letasa had "good potential assets" in the form of a fleet of six ships, two 115,000 dwt supertankers, two 115,000 dwt OBO type tankers and three bulk carriers of 80,000 dwt, 50,000 dwt and 30,000 dwt. Total assets are said to be around Pta 11bn (\$157m).

Several international shipping groups have shown an interest in part or all of the fleet. The latest offer of \$80m for the latter five tankers has come from a Saudi trading group, Vameel.

So far all the offers have been rejected by the creditors. The main creditors are four banks, Bilbao, Aresbank (a joint Spanish-Arab bank), Bankunion and Atlantico. As of this week, however, matters remain in the hands of the bankruptcy administrator.

Letasa was founded in 1958 by Sr. Enrique Guzman, then president of the Bilbao Chamber of Commerce, and his son-in-law, Sr. Jose Maria Lopez Tapia. Despite building up a sizeable fleet, the company has had a chequered history.

On September 1 the company's main creditors forced the management to put Letasa into temporary receivership, a device whereby companies in financial difficulties seek relief through a court order suspending temporarily all outstanding payments so allowing creditors to restructure debt.

Since then creditors have been trying out work out a means of keeping the company operational offering a repayment of outstanding debt over 12 years. The creditors believed that the company could, with some sacrifices, be made available, and that if possible the 450 workers (of which 415 are crew members) should be retained.

One creditor said yesterday that the company is not running at an operational loss but needs time to be able to repay capital.

Go-ahead for Bastogi rights

By Paul Betts in Rome

THE BOARD of Bastogi, the Italian financial company, has given the go-ahead for the company's long awaited rights issue.

Bastogi's capital is to be lifted from L1,980bn to L2,480bn through a L500bn (\$55.5m) rights issue on a one-for-four rights basis at par, L1,000 a share. The operation is to be guaranteed by the company's controlling share holder, syndicate which currently owns 33 per cent of the group.

Bastogi subsequently hopes to raise its capital by a further 500bn in a similar operation later this year, and is also understood to be searching for new major shareholders. This latter move follows the deal with the U.S. Diamond Shamrock group which agreed to take a minority stake of less than 10 per cent in the Italian financial company.

The Italian company reports losses of L7bn for 1979 which are to be covered by reserves. In 1978, Bastogi broke even. Bastogi's overall turnover increased from L450bn in 1978 to 723bn last year, mainly as a result of sales of some fixed assets and the purchase from the Milan Montedison chemical group of the electronic subsidiary, Bastogi Sistem.

Net losses more than halved for 1979, reported by Sina Visconti. Sales last year were 760bn (\$84.6m) compared with 1,705bn, and the group's net deficit was cut to L32.5bn from L78.2bn.

Synthetic fibres output eased last year because of production capacity curbs and the limitation of losses on older types of man-made fibres. Sales, however, rose by 7.5 per cent in value for fibres and productivity increased slightly, Sina said. Oil price rises, inflation and increased labour costs did not allow a balance of costs and returns despite a marked rise in gross operating margins.

A revival of both the domestic and export markets helped the textiles division, whose sales rose by 33 per cent, the company said.

Chemicals sales increased by 50 per cent following oil price rises, while defence and space division sales rose by 17 per cent.

The creation of a separate company for each of the chemicals, space and defence, synthetic fibres and textiles divisions is to be implemented by the end of the year.

Buehrmann to expand abroad

By Charles Satchelor in Amsterdam

DUJICE PAPER, packaging and trading group Buehrmann-Tetterode hopes to develop new markets in the Far East, Mexico and North America during the 1980s, the company stresses in its annual report.

BT sees prospects for non-U.S. companies in Mexico, where "political conditions are stable and the economy expanding." In the U.S. it would expect to make small acquisitions in the printing, publishing and printing machine trading sectors rather than undertake a major merger.

The next two years will be used to strengthen the company's position and improve profitability. By retaining profits and by financial investment to the level of depreciation, BT will strengthen its assets and liquidity position.

Sales have developed favourably in the year so far, while BT's loss-making Belgian subsidiary, Papeteries de Mont St. Guibert, will, it is hoped, make a profit in 1980.

Net profit of BT fell marginally to Fl 41.3m (\$19m) from Fl 41.5m, although the 1979 result was adversely affected by the Fl 10.7m operating losses of MSG. The company proposes paying an unchanged Fl 5.40 dividend per share.

Gross operating profit rose by 31 per cent to Fl 125.1m on sales which were 21 per cent higher at Fl 2,150m (\$1bn). Two points of the turnover growth came from new acquisitions.

Operating profit rose by a "spectacular" 63 per cent in the printing machinery trading division to Fl 36.3m on sales 30 per cent higher at Fl 568m. Profit in the printing, stationery, toys and publishing division rose by 12 per cent to Fl 45.2m on 12 per cent higher sales, while the industrial paper and board division increased profit by 43 per cent to Fl 47.5m on sales up 23 per cent.

BT expanded its sports equipment trading activities by acquiring exclusive Benelux rights for the West German Puma company from January 1980. It bought a second French wholesale toy trading company as well as the Swedish printing machinery group, Hemlins.

A sharp rise in net profit to Fl 45.4m (\$21.4m) in 1979 from Fl 30.8m in the previous year is reported by Lucas Bois, the Dutch distiller. Turnover was Fl 806m, against Fl 717m. Profit per share on capital increased by 10 per cent following a bonus share issue was Fl 10.13. The total dividend paid was Fl 4.

Losses nearly halved at Statsforetag

By Victor Kayetz in Stockholm

STATSFÖRETAG, the Swedish state holding company, reduced its loss from SKr 920m in 1978 to SKr 500m (\$116m) last year, mainly as a result of smaller losses by its so-called basic industry sector which includes iron mining, forest products and chemicals. For the fifth year running the board recommends passing the dividend to the state.

Excluding the engineering and industrial companies taken over during 1979 from the Kockums group, Statsforetag's loss was SKr 442m. The company thus fell short of the SKr 800m improvement, predicted in the eight-month report.

Sales rose by nearly 21 per cent to SKr 12,180m (\$2,770m). For comparable units, the increase was about 16 per cent. An unchanged 50 per cent of sales were abroad.

Statsforetag forecasts improved earnings in 1980, resulting in part from a major reduction in losses expected at the LKAB iron mining company. Sales are expected to rise by about 20 per cent.

The preliminary report attributed last year's improvement both to better general economic conditions in 1979 and cost-cutting measures undertaken in recent years.

Statsforetag says that, taking into account compensation from the Government for tasks related to national employment policy, which are reported as extraordinary income, the group showed a 1979 profit of SKr 97m. No breakdown or comparative figure for 1978 is provided.

Kenana Sugar meeting delayed

By James Suxton

A SPECIAL shareholders meeting and board meeting of the Kenana Sugar Company, scheduled to take place last weekend in Khartoum, is to be rearranged for a date to be fixed later this month. The shareholders were prevented from going to Khartoum by two days of sandstorms which closed the airport.

The meetings had been expected to approve a near doubling of the company's capital to \$10m by the issue of more ordinary and new preference shares to finance the completion of the cane sugar production, which is now in

Japanese widen limits on yen CD issues

By Charles Smith, Far East Editor in Tokyo

JAPAN'S Ministry of Finance is widening the limits within which Japanese and foreign banks may issue yen certificates of deposit (CDs). The measure allows the value of CDs in circulation to be more than doubled by the middle of next year.

Japanese banks are to be permitted to increase their issues of CDs from an amount equivalent to 25 per cent of their owned capital to 50 per cent by the end of June next year. The increase would be carried out in a series of quarterly steps, with 5 per cent being added to the ceiling at the end of each of the next four quarters and the next four. Since most Japanese banks are likely to increase their owned capital by moderate amounts during the year, the move could lead to the value of CDs in circulation rising by over 100 per cent.

Foreign banks which are currently allowed to issue CDs, on an amount equivalent to 10 per cent of the value of their outstanding yen loan and yen denominated share portfolio, will be allowed to increase the ratio to 20 per cent. They are asked to do so gradually.

Certificates of deposit, which were introduced into the Japanese banking system in the first half of 1979, have become a centre of controversy, mainly because CD interest rates are uncontrolled, whereas rates on comparable time deposits are subject to control. The local Japanese banks, operating on a regional basis in Japan, which hold substantial local government funds in the form of time deposits, have opposed expanding the issue of CDs because of a fear that this could lead to a shift of funds out of time deposits. Such a shift could greatly increase the local banks' funding costs.

Expanding the CD issue has been, on the other hand, favoured by major City banks which lack local government deposits and are looking for new ways to increase their total funds.

CDs have proved a popular investment vehicle with foreigners (mainly because of their attractively high interest rates), with the result that many of the larger City banks have exhausted their quotas. Expanding the quotas represents a way for the Ministry of Finance to attract more short term capital into Japan—but at the cost of upsetting local banks.

The limits apart, regulations restricting the freedom of the market stipulate that the minimum value of a CD should be ¥500m (equivalent to \$2m) and that maturity periods should be three or six months. The value of CDs in circulation at the beginning of 1980 is estimated to have been between ¥1,800bn and ¥1,900bn (around US\$7.5bn), with foreign banks accounting for about ¥260bn.

Bond market fall hits Japan City banks

TOKYO — The 13 Japanese City banks suffered capital losses estimated at a total of ¥550bn (\$2.2bn) in the six months to March 31, following a sharp fall in secondary market prices of their national bond holdings, the Federation of Bankers' Associations said.

Six banks, including Sunitono, Fuji, Sanna, Tokai, Mitsui, and Daiwa, will continue to value their holdings at the lower of cost or market value.

The other seven — Dai-ichi, Kangyo, Mitsubishi Triyo Kobe, Kyowa, Saitama, Hokkaido, Tokai-shoku, and Bank of Tokyo — have switched to the cost price method of valuation.

Banking sources said the large national bond valuation loss will increase the pressure by City banks on the Finance Ministry to reduce its national bond flotation.

AUSTRALIAN NEWS

Steps to set up new private bank

By James Forth in Sydney

AUSTRALIA may get its first new domestic bank since 1933 and its first new private enterprise bank this century. Mr. John Howard, the Federal Treasurer, announced yesterday that the Government had received an approach from interested parties to establish a new bank, within the existing banking policy.

The proposed bank would have an initial capital of A\$200m to A\$300m (U.S.\$213m) and would probably have 30 to 40 shareholders, mainly a cross-representation of large and financially solid Australian companies. There must be at least ten shareholders, under existing legislation, which limits the maximum holding in a bank to 10 per cent of the capital.

The proposal apparently also envisages the formation of a merchant bank in which the new bank would have an equity of 10 per cent to 40 per cent, and which could include foreign shareholders.

It is the second change in the banking system which has come to light recently. The merchant bank, Hill Samuel Australia has been working on a proposal which envisages a syndicate of major Queensland companies each staking a stake in, and expanding, the small Bank of Queensland, creating a quasi-state bank.

The proposal for a new domestic bank coincides with the Campbell Inquiry into the Australian Financial system, but Mr. Agnew had been working on the scheme for at least two years, before the inquiry was established.

Mr. Howard said he had discussed the Agnew proposal with the head of the inquiry, Mr. Keith Campbell. Although a formal application for the issue of a banking licence had yet to be made, the matter had already been the subject of considerable consultation between Mr. Agnew and the Government.

Mr. Agnew, a former Olympic swimmer, is best known for his Agnew Clough mining (particular of iron ore) and industrial group, but he has long been interested in banking and economic matters.

He has been a director since 1974 of the Government-owned development body, the Australian Industry Development Corporation. The proposed bank would develop and provide a full range of banking services, but would concentrate on corporate finance, foreign exchange and development and project finance activities. Initially the bank would concentrate on Sydney, Melbourne and Perth.

PIONEER CONCRETE Services, the international quarrying, concrete products, and mining group, plans to raise A\$55.4m (US\$60m) through a rights issue, following a rise in earnings in the December half year, from A\$11.6m to A\$15.2m (US\$16.4m).

Pioneer is well on the way to reaching the A\$30m profit forecast made for the full year, and results in the three months to March 31 were said to be in line with budgets. The interim dividend has been held at 5 cents a share.

The results reflect comparable rates of growth in both overseas and Australian activities. Last year Pioneer earned about 60 per cent of its profits overseas.

The issue is on the basis of one new share for every three held at a price of A\$1.25 a share, compared with the closing market price in Sydney yesterday of A\$1.94. It is the second large cash issue by Pioneer in the past six months; the last was on the basis of one-for-four at 80 cents a share.

The directors expect that the annual dividend rate of 10 cents a share will be maintained on the higher capital. They said that the funds raised would be used for future capital requirements.

Another large industrial group, Humes, the pipe manufacturer, is seeking A\$9.4m with a rights issue on the basis of one new share for every eight held at a price of A\$1.00 a share. It is the company's first cash issue since July, 1974.

The Pioneer issue is split into two instalments, 65 cents by July 4 and 80 cents by October 31 while the Humes issue is payable 50 cents on application and 50 cents on October 31.

THE AUSTRALIAN Government has stuck by its decision to limit NV Amey, the Dutch insurance group, to a maximum holding of 90 per cent of the capital of the local finance company, United Dominions Corporation (UDC). The stock exchanges had sought a takeover bid from Amey for the remaining minority holdings.

Amey announced in February that it intended to buy the 80 per cent holding in UDC from the UK group United Dominions Trust (UDT). Stock exchange listing requirements provide that once a buyer obtains more than 20 per cent of a company's capital it must extend a similar offer to remaining holders.

However, the Foreign Investment Review Board made it a condition of approving the UDT purchase that it buy no more shares. The stock exchanges lobbied, unsuccessfully, in Canberra for a formula to enable minority holders to obtain a similar price, such as requiring Amey to bid and subsequently restore the Australian equity to 20 per cent.

Australian public companies and institutions have had their limits on overseas equity and real estate investment lifted to A\$2.5m (U.S.\$2.7m). The figure was incorrectly reported yesterday.

Sharp rise at United Plantations

By Wong Sulong in Kuala Lumpur

UNITED PLANTATIONS, the Danish-controlled Malaysian oil palm group, has reported a record pre-tax profit of nearly 39m ringgit (U.S.\$17m) for 1979, representing an increase of over 44 per cent.

A higher dividend is to be paid, and there is to be a scrip issue. The final dividend is 22.5 per cent, bringing the total for 1979 to 27.5 per cent on the capital of 89.4m ringgit. The 1978 dividend was 25 per cent on capital of 71.5m ringgit. United Plantations is capitalising 10m ringgit from reserves to make a one-for-ten scrip issue on 89.4m issued shares, and 1.5m new shares for the group's Workers Benevolent Fund. The new shares will not be entitled to the final dividend.

The good profit was attributed largely to the general increase in crop production and higher prices. Palm oil production rose by 9.3 per cent to 49,000 tonnes, while palm kernel increased by 17 per cent to 12,000 tonnes. Production of copra was up by 10 per cent, and the cocoa crop level was maintained. The average selling price for palm oil was 18 per cent higher, while the price for palm kernel was 28 per cent better.

United Plantations has some 39,000 acres in Lower Perak State, mostly planted with oil palm but with a good area under coconuts and cocoa.

SUBSTANTIALLY increased production costs have eaten deeply into earnings at Dunlop Malaysian Industries (DMI). Only an eight per cent increase in pre-tax profit to 43m ringgit (\$18.9m) was achieved for 1979. Sales rose by just 13 per cent from 1978 to 1979 (\$83m) reflecting stronger competition following the growth of many Chinese-owned rubber-based factories.

With higher tax, net profit was only 4.4 per cent higher at 22.7m ringgit.

During 1979, the cost of most raw materials, particularly imported petrochemical derivatives, and crude rubber, increased substantially. The group said the higher costs were partially offset by increased sales and productivity in all divisions, particularly tyres and latex foam.

The group's 34 per cent owned associate, H. and R. Johnson (Malaysia), which makes ceramic tiles, was reported to have performed very well, although its contributions to group's earnings were not substantial.

DMI is paying a final dividend of 27.5 per cent, making 40 per cent for the year, compared with 35 per cent previously.

PERNA SIME Darby Holdings has raised its stake in Kubota Agricultural Machinery (KAM), to 90 per cent by buying a further 30 per cent from Tractors Malaysia, another Sime subsidiary.

The move is to rationalise the activities of the Sime subsidiaries, with Tractors concentrating on heavy equipment for building and construction, and KAM handling lighter equipment for the agricultural sector.

Apart from assembling and distributing Kubota agricultural machinery, such as Tractors and Power Tillers, used by Malaysian Farmers, KAM also distributes agricultural machinery for several other Japanese companies.

IN A surprise move Fletcher Holdings has made a takeover bid for Carter Holt Holdings in what will be New Zealand's largest takeover deal ever. The offer has a theoretical value of NZ\$58m (US\$4.6m).

Carter Holt is a large timber company with interests in paper and pulp. If successful the deal will make the merged Fletcher-Carter group one of the country's largest companies in forestry products. The combined operations would cover almost every sphere of New Zealand's forestry, construction, engineering, and fishing industries.

Before announcing its offer, which puts a value of NZ\$4.25 on each Carter Holt share, Fletcher acquired more than 23 per cent.

The merged company would be entirely New Zealand owned. It is thought that Fletcher may already have obtained the promise of support from other major share holders in Carter.

This announcement appears as a matter of record



THE BURMAH GROUP
£60,000,000

Unsecured 7 year loan facility

Arranged and managed by

BARCLAYS BANK GROUP

Provided by

Barclays Bank Group

Bank of America NT & SA

Citibank, NA

Morgan Guaranty Trust Company of New York

The Royal Bank of Canada

March 1980

KOREA SHIPPING CORPORATION, SEOUL

ANNOUNCE

THE APPOINTMENT OF
DIPGROVE GROUP OF COMPANIES
AS UNITED KINGDOM LINER AGENTS

(EASTBOUND SAILING SCHEDULE)

| VESSEL | VOY | FELIX-STOWE SAILS | ARRIVES | | | | |
|-------------------|-----|----------------------|-----------|------------|-------|-------|-------|
| | | | HONG KONG | KAOH-SIUNG | BUSAN | OSAKA | TOKYO |
| Seven Seas Bridge | 25E | 26/3 | 21/4 | 23/4 | 25/4 | 27/4 | 28/4 |
| Neptune Coral | 17E | 1/4 | 1/5 | 2/5 | 5/5 | 8/5 | 9/5 |
| Korean Jacojin | 4E | 6/4 | 5/5 | 6/5 | 9/5 | 12/5 | 14/5 |

For bookings and quotations please contact Dipgrove Liner Agencies at:

| | | | |
|---------------|-------------------|--------------|--------------------------|
| BARKING | Tel: 01-517-0081 | Tlx: 896447 | Contact: Alan Cartwright |
| WOLVERHAMPTON | Tel: 0902-47321 | Tlx: 357248 | Contact: David Hawkins |
| BIRMINGHAM | Tel: 021-643-4221 | Tlx: 336489 | Contact: Marc Wall |
| BRISTOL | Tel: 0272-657446 | Tlx: 449446 | Contact: Brett Reddall |
| FELIXSTOWE | Tel: 05942-6262 | Tlx: 98144 | Contact: Don Morrison |
| LIVERPOOL | Tel: 051-236-5215 | Tlx: 628619 | Contact: Ian Sillitoe |
| MANCHESTER | Tel: 061-672-1274 | Tlx: 666685 | Contact: Steen Larsson |
| STOKE | Tel: 0762-413516 | Tlx: 36147 | Contact: Paul Eager |
| UXBRIDGE | Tel: 0895-59821 | Tlx: 5813320 | Contact: Richard Wall |

Wall St. mixed at mid-day

NEW YORK

and-day

Stock Y16-
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to Y404 and
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and Diamond issues also
tinue to meet demand.
Bargain hunters lifted
30 cents to \$A11.65, and
cents to \$A4.70 and
Banking 15 cents to \$A4.30.
On the Mining posts,
improvement in the L
prices of Gold and base
stirred stocks like Central
man and Peko-Wallend,
some of the Coal leaders
ahead in patchy trading.

Central Nerseman put
cents to \$A3.50, Peko-W
14 cents to \$A4.90, Hill 50
6 cents to 50 cents and Em
10 cents to \$A1.65.

Hong Kong

Stocks traded quietly with
clear trend on returning
the holiday-lengthened week.

Dealers said the market is
confidence following the inc
in U.S. Prime Rate to 19
cent last Friday, widening
disparity with local rates
further.

Some operators were expect
a special meeting of the Exch
Banks Association interest
sub-committee ahead of
Easter weekend holiday to
local Prime Rate.

Also discouraging the m
were reports of disappear
local property auction res

Amsterdam

The market staged an
widespread rally, with the
GBS General index rising
more to 79.5.

Key Dutch International
Royal Dutch put at FI 2.50
Unilever FI 1.40.

RSV the Shipbuilding
Engineering group, announce
substantially lower 1979 los
rose FI 1.90 to FI 3.20.
Steeel FI 2.50 to 3.40, OCE
der Grintex FI 3.80, and
FI 3.90.

Johannesburg

Gold shares closed gen
easier in sympathy with a
international Bullion price.

Beefs lost 20 to 255, Pres
Steel 50 to 334 at West
Holdings RI to R62.50.

| | Price Apr. 1 | + or - |
|-----------|-----------------|--------|
| Aluminum | 4.85 | +0.15 |
| Asbestos | 2.00 | |
| Barium | 1.05 | |
| Brass | 1.00 | -0.01 |
| Cast Iron | 1.05 | -0.05 |
| Cement | 2.00 | -0.01 |
| Copper | 1.46 | -0.01 |
| Crude Oil | 1.46 | -0.01 |
| Flour | 1.46 | -0.01 |
| Gold | 1.46 | -0.01 |
| Iron | 1.46 | -0.01 |
| Lead | 1.46 | -0.01 |
| Mercury | 1.46 | -0.01 |
| Nickel | 1.46 | -0.01 |
| Oil | 1.46 | -0.01 |
| Silver | 1.46 | -0.01 |
| Steel | 1.46 | -0.01 |
| Sugar | 1.46 | -0.01 |
| Tin | 1.46 | -0.01 |
| Wool | 1.46 | -0.01 |
| Zinc | 1.46 | -0.01 |
| Aluminum | 4.85 | +0.15 |
| Asbestos | 2.00 | |
| Barium | 1.05 | |
| Brass | 1.00 | -0.01 |
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| Silver | 1.46 | -0.01 |
| Steel | 1.46 | -0.01 |
| Sugar | 1.46 | -0.01 |
| Tin | 1.46 | -0.01 |
| Wool | 1.46 | -0.01 |
| Zinc | 1.46 | -0.01 |

| | Price Apr. 1 | + or - |
|-----------------|-----------------|--------|
| Kubota | 368 | |
| Kumagai | 351 | |
| London, Ceramic | 3180 | |
| Liou | 332 | |
| Masuda Co. | 440 | |
| Matsuda | 359 | |
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NEW YORK—DOW JONES

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|----------------|------|-------|
| Inchcape Bhd. | 2.85 | |
| Malaya Banking | 9.50 | |
| Malay Brew | 4.80 | |
| OOB | 9.05 | +0.05 |
| Pan Electric | 6.50 | +0.01 |
| Sime Darby | 4.02 | +0.04 |
| Straits Trdg. | 9.25 | +0.25 |
| UOB | 3.58 | +0.04 |

| SOUTH AFRICA | | |
|----------------|------------|--------|
| Apr. 31 | Price Rand | + or - |
| Abercrombie | 2.8 | |
| AE & G | 7.00 | +0.10 |
| Anglo Am. Op. | 9.50 | -0.10 |
| Barlow Rand | 9.50 | -0.10 |
| Burling | 20.0 | -0.5 |
| CN Investments | 1.65 | -0.10 |
| Currie Finance | 1.25 | -0.05 |
| De Beers | 9.85 | -0.05 |
| Euz. Driv. | 23.00 | -0.5 |
| FS Geduld | 98.5 | -1.0 |
| Gold Fields SA | 77.75 | -0.75 |
| Highveld Steel | 3.95 | -0.05 |
| Hotels | 7.00 | |
| Kloof | 89.5 | -0.5 |
| Nedbank | 2.90 | |
| OK Securities | 14.00 | +0.25 |
| Protas Hidge. | 4.00 | -0.05 |
| Rembrandt | 5.20 | -0.05 |
| Rennies | 5.00 | -0.05 |
| Rust Pk | 5.15 | +0.15 |
| Sage Hidge | 2.50 | +0.05 |
| SA Brews | 2.00 | -0.05 |
| SAPRI | 4.40 | |
| Smith OG Sugar | 10.75 | |
| Soree | 1.70 | +0.05 |
| Tiger Cabs | 2.00 | |
| Unised | 2.05 | |

Financial Rand US\$0.364
 (Discount of 30%)

| BRAZIL | | |
|--------------------------------|-------------|--------|
| Mar. 31 | Price Cruz. | + or - |
| Acerita | 1.60 | +0.10 |
| Sanco Brazil | 2.69 | -0.04 |
| Sanco Itau | | |
| Valco Min. | 5.45 | -0.15 |
| Lojas Am. | 2.64 | +0.15 |
| Petrobras PP | 5.55 | +0.07 |
| Suzelli | 2.90 | |
| Unipac | 3.60 | |
| Valco Rio Doce | 6.70 | -0.15 |
| TV Pôr. C. 860.7M. Vol. 23.1M. | 7.00 | -0.05 |

Source: Rio de Janeiro SE-2
 Spanish prices, Page 22

page are as quoted on the
 main traded price. 5 Dollars

100

Continued on previous page

